

James Steuart on the Ancient Economy

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1. Introduction

In his *An Inquiry into the Principles of Political Economy*² Steuart repeatedly refers to the ancient³ system of economy in order to deduce and examine the principles of modern economy. This historical method of analysing economy is one of the pillar of Steuart's methodology. He stressed that he "never can sufficiently recommend to my readers to compare circumstances, in the oeconomy of the antients, with that of modern times".⁴

Steuart's approach of comparing the modern economy with the ancient, however, has been given little attention by critics. The purpose of this paper is to show how Steuart understood the ancient economy and how important his understanding of the ancient economy was for his economic theory. The question will be pursued by following the development of Steuart's understanding of ancient economy. One of the key material used in this paper is Steuart's

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² Hereafter cited as *Principles*.

³ Steuart does not define the word 'ancient'. He uses the word in contrast with 'modern', by which he means the last two to three hundred years. 'For this purpose I have taken a hint from what the late revolutions in the politics of Europe have pointed out to be the regular progress of mankind, from great simplicity to complicated refinement' (Steuart 1767, I 15). He sometimes uses the word 'ancient' to focus specifically on the era of ancient Greece and Rome where slavery was widely established.

⁴ Steuart 1767, I 437.

annotations on Xenophon's *Ways and Means*⁵, which was recently published as Furuya (2014b).

Steuart made these annotations in 1760, just after completing the first draft of Books 1 and 2 of *Principles*. Steuart described Xenophon's *Ways and Means* as 'this most valuable discourse' and firmly attested its significance: 'It is a *chef d'oeuvre* of its kind, and from it more light is to be had, in relation to the subject we are here upon, than from any thing I have ever seen, ancient or modern'. This paper will show how Steuart rewrote his first draft of *Principles* using the annotations he had made.

By examining *Principles* and Steuart's annotations on Xenophon's work, this paper concludes that Steuart's understanding of the ancient economy was vital to some of the core features of *Principles*: First, his study of the ancient economy provided strong support for his refutation of Hume's and Montesquieu's quantity theory of money. Secondly, the method he used to judge Xenophon's plan seems to have further confirmed Steuart's defence of mercantilist policy, which Hume was criticising.

2. Modern and ancient system of economy

When writing *Principles* Steuart explicitly limits the historical scope of his principles to the modern era.

I farther intend to confine myself to such parts of this extensive subject, as shall appear the most interesting in the general system of modern politics; of which I shall treat with that spirit of liberty, which reigns more and more every day, throughout all the polite and flourishing nations of Europe.

(Steuart 1767, I 4)

Nevertheless, Steuart consults situations in ancient times over and over again. He attaches great importance to comparing various situations when

⁵ Also known as *Poroi* or *Revenues*, this work is estimated by majority of scholars to have been composed by Xenophon in the winter of 355/4 BC. Gauthier 1976, 4-6. For modern reception on *Ways and Means*, see Dillery 1993, 1-2.

seeking to deduce adequate principles. 'The great danger', he says, 'of running into error upon particular points relating to this subject [political economy], proceeds from our viewing them in a light too confined, and to our not attending to the influence of concomitant circumstances, which render general rules of little use' (Steuart 1767, I ix). This includes comparing situations between different countries as well as between ancient and modern. The contrast between the ancient economy and modern economy, Steuart says, "often makes us reflect upon circumstances which otherwise might escape our observation" (Steuart 1767, I 517). Accordingly, Steuart concludes:

I never can sufficiently recommend to my readers to compare circumstances, in the oeconomy of the antients, with that of modern times; because I see a multitude of new doctrines laid down, which, I think, never would have been broached, had such circumstances been properly attended to.

(Steuart 1767, I 437)

He refers to Aristotle, Herodotus, Plato, Plutarch, and Xenophon⁶ and discusses diverse topics such as multiplication of mankind, slavery, simplicity and luxury, labour and industry, economic development, circulation of money, forms of government, and taxation.

There are two places in *Principles* where Steuart describes the ancient situation extensively. One is Book 2 Chapter 14, in which he discusses Lycurgus's form of government and its scheme of political economy, and the other is Book 2 Chapter 30, in which he treats miscellaneous questions concerning circulation and industry. The former, however, does not go to the very core of the discussions in *Principles*, according to what Steuart says. "The two preceding chapters [Book 2 Chapter 13 and 14]", says he, "I have introduced purposely to serve as a relaxation to the mind, like a farce between the acts of a serious opera" (Steuart 1767, I 261).

By contrast, Steuart's discussion in Book 2 Chapter 30 deserves more than a passing notice. Here he makes ample use of the writing of Xenophon, describing his *Ways and Means* as "this most valuable discourse" (Steuart 1767: I 462) and

⁶ Although not relevant in this context, Steuart also quotes a verse from Horace's *Sermones* in the title page.

declaring that “[i]t is a *chef d'oeuvre* of its kind, and from it more light is to be had, in relation to the subject we are here upon, than from any thing I have ever seen, antient or modern” (Steuart 1767: I 460). He regards the work as a suitable resource with which to make manifest “the characteristic difference between the ancient and modern oeconomy” (Steuart 1767: I 462). Therefore, it is reasonable to attach high priority to Steuart's discussion in Book 2 Chapter 30 when investigating the importance of his arguments on the ancient economy.

3. Annotation on Xenophon's writing

The important point to note here is that there remains a manuscript containing Steuart's copious annotations on Xenophon's *Ways and Means*. This manuscript, although have not been examined previously⁷, throws considerable light on how Steuart understood the ancient economy and how he applied his understanding of it to *Principles*. It was published in Furuya (2014b). Steuart does not mention the date on which he wrote the annotation. Nevertheless we can be fairly certain that he wrote it either in 1759 or in 1760 when he resided in Tübingen with his family and friends. Steuart was working on the first half⁸ of *Principles* until August 1759, and from October to December he was confined to bed with gout. It is most likely that he wrote the annotation in 1760 when he was preparing material for the latter half of *Principles*.⁹

⁷ Earlier works on Steuart's manuscripts, Dennistoun (1842) and Chamley (1965), contain no mention of the annotation. It was first mentioned by Andrew Skinner in “Appendix E: Writings (Analytical) in Manuscript” for 1966 edition of *Principles*. Study of Steuart's manuscripts has been superficial chiefly because the bulk of his manuscripts (“Coltness papers”) were held privately by Steuart's relatives until 1988. They were then donated to Edinburgh University Library by Mrs. Katherine Jean Fyfe.

⁸ Book one and Book two. As is illuminated in Furuya (2006), Steuart initially intended *Principles* to consist of four books.

⁹ Furuya 2014b, 70. How did Steuart obtain Xenophon's *Ways and Means* which was printed as a supplement to Davenant 1698? This is a curious question because we know Steuart did not have Davenant 1698 until at least 1758 (Furuya “Steuart and Davenant on Financing Wars” unpublished). I conjecture that the book was included in the set of books Steuart bought from Paris in 1759.

The annotation is over 3,000 words long and he starts by explaining his motivation for writing it:

This [Xenophon's *Ways and Means*] is an admirable and most curious piece of antiquity, I intend to take notice of the fort[e] and the foible of it.

We shall here have an admirable insight into the political œconomy of the ancients and a strong confirmation of the doctrines upon that subject which I have interspersed through the 2 first books of my treatise upon the principles of that science.

(Furuya 2014b, 73)

These passages yet again shows that we are fully justified in attaching great importance to this annotation and to Steuart's arguments in Book 2 Chapter 30 if we are to examine his understanding of the ancient economy.

He takes notes on Xenophon's explanation of the various branches of the Athenian revenue system and on Xenophon's plans for improving them, along with the spirit of the Athenian people. And by examining Xenophon's description, Steuart induces the state of agriculture in ancient Athens, the state of gold and silver in those times, the employment of the people, and the state of luxury. These topics have a close relationship with Steuart's other arguments such as those on population, on economic development, or on the cause of the rise in commodity prices in Europe in the 16th and 17th centuries.

What is still more intriguing is that there is a draft of the first half of *Principles* which was written before Steuart made this annotation. Therefore, it is possible for us to compare this first draft of *Principles* (Steuart 1759) with the first and second published editions of *Principles* (Steuart 1767, 1805) to see how Steuart developed his discussion in Book 2 Chapter 30.

Although Steuart (1805) was published posthumously by the hands of his son and George Chalmers, this is in effect the second edition of *Principles* which Steuart wished to publish. *Principles* was first published in April 1767; and in March 1772, when King George III asked Steuart “if he were then writing any thing more”, Steuart answered “that he was only employed in correcting what he

had already written”.¹⁰ Steuart revised his work with an intention of publishing a second edition of *Principles*. The publication did not materialise during his life time; but even just prior to his death, Steuart intended to publish the new edition. In October 1780, a month before he died, he wrote to his friend Sir George Colebrooke, former chairman of the East India Company and MP, “This you will inquire into, as also into the present decimes & Capitations of the Clergy of France and Alsace which I certainly overrated in my state when I carried them to 12,400,000. *This will be corrected in a Subsequent Edition*”.¹¹ Soon after Steuart died, his son had someone carefully transcribe to a fresh copy of *Principles* the corrections and additions Steuart made and gave it to one of Steuart’s best friend, Sir Stuart Threipland. This copy of *Principles* is now held by the London School of Economics Library.¹² The printed edition which reflects these corrections and additions came out twenty-four years later as Steuart (1805).

4. Changes made to the text of *Principles*¹³

In the Annotation, Steuart, after introducing Xenophon's description of the Athenian citizens' contempt for labour and pride in the simplicity of their manners, writes:

apply this to pol.[itical] œcon.[omy] B.[ook] 2. chap.[ter] 30. quest[ion] 7th.

¹⁰ Chalmers 1805, 380.

¹¹ See Furuya 2014a: 10. Italics are mine. The figure 12,400,000 appears in Steuart 1767 II: 404. In the subsequent edition Steuart inserts the following footnote: “The state of the King's ordinary revenue for 1761 I have here set down according to my information: but it must be observed, that this article comprehends the tax laid on the clergy for five years, commencing with 1762. The capitation also, in article third above, is stated at double the amount of it in time of peace.” (Steuart 1805: IV 79)

¹² See Sen 1957 Appendix A; some of the description provided in this appendix needs updates. The date “1785” on page 191 should be corrected to 1781, the year after Steuart’s death. Handwriting of corrections are neither in Steuart’s hand nor his son’s. Apart of this copy, there must have been Steuart’s own copy of *Principles* in which he wrote down the corrections.

¹³ Quotations from Steuart 1759, Steuart 1767, and Steuart 1805 in this section were first given in Furuya 2014b. Analysis of the differences between these three editions are given here for the first time.

(Furuya 2014b, 76)

In Question 7 of Book 2 Chapter 30, Steuart discusses the compatibility of industry and simplicity in ancient society, namely, “In what manner, therefore, may a statesman establish industry, so as not to destroy simplicity, nor occasion a sudden revolution in the manners of his people, the great classes of which are supposed to live secure in ease and happiness; and, at the same time, so as to provide with necessaries every one who may be in want?” Let us see how the annotation was applied to the original text of *Principles*.

When we compare Question 7 of the first draft of *Principles* (Steuart 1759), which presumably was written in the year before the annotation, with Question 7 of the published edition (Steuart 1767), we see that the following sentences in the first draft were deleted and replaced by a lengthy insertion in the printed edition. The deleted sentences are:

We have further observed in the 3d. chap. of this book, how the advancement of luxury, depends more upon the inventions and refinements of the industrious, who endeavour to captivate the taste of the rich, for the sake of gaining money: than upon the taste of luxury in these, who in order to gratify their desires, engage the poor to become industrious. Now while slavery subsisted, this emulation was in a great measure cut off which contributed not a little, towards preserving simplicity.

(Steuart 1759, 376-77)

And the insertion in the printed edition is:

I must, in this place, insert the authority of an ancient author, in order both to illustrate and to prove the justness of this representation of the political oeconomy of the antients.

There remains a discourse of Xenophon upon the improvement of the revenue of the state of Athens. Concerning the authenticity of this work, I have not the smallest doubt. It is a *chef d'oeuvre* of its kind, and from it more light is to be had, in relation to the subject we are here upon, than from any thing I have ever seen, antient or modern.

From this antient monument we learn the sentiments of the author with regard to the proper employment of the three principal classes of the

Athenian people, viz. the citizens, the strangers, and the slaves. From the plan he lays down we plainly discover, that, in the state of Athens, (more renowned than any other of antiquity for the arts of luxury and refinement) it never entered into the imagination of any politician to introduce industry even among the lowest classes of the citizens; and Xenophon's plan was to reap all the benefits we at present enjoy from it, without producing any change upon the spirit of the Athenian people.

The state at this time was in use to impose taxes upon their confederate cities, in order to maintain their own common people, and Xenophon's intention in this discourse was, not to lay down a plan to make them maintain themselves by industry, but to improve the revenue of the state in such a manner as out of it to give every citizen a pension of three oboli¹⁴ a day, or three pence three farthings of our money.

I shall not here go through every branch of his plan, nor point out the resources he had fallen upon to form a sufficient fund for that purpose; but he says, that in case of any deficiency in the domestic revenue of the state, people from all quarters, Princes and strangers of note, in all countries, would be proud of contributing towards it, for the honour of being recorded in the public monuments of Athens, and having their names transmitted to posterity as benefactors to the state in the execution of so grand a design.

In our days, such an idea would appear ridiculous; in the days of Xenophon, it was perfectly rational. At that time great quantities of gold and silver were found locked up in the coffers of the rich: this was in a great measure useless to them, in the common course of life, and was the more easily parted with from a sentiment of vanity or ostentation.

In our days, the largest income is commonly found too small for the current expence of the proprietor. From whence it happens, that presents, great expence at funerals and marriages, godfathers' gifts, &c. so very familiar among ourselves in former times, are daily going out of fashion. These are extraordinary and unforeseen expences which our ancestors were fond of; because they Battered their vanity, without diminishing the fund of their current expence: but as now we have no full coffers to fly to, we find them

¹⁴ Attic silver coin, worth 1/6 of a drachma (Xenophon 1698, 45).

excessively burthensome, and endeavour to retrench them as soon as we can, not from frugality, God knows, but in consequence of a change in our manners.

Besides providing this daily pension of three pence three farthings a day for every citizen of Athens, rich and poor, he proposed to build, at the public charge, many trading vessels, a great many inns and houses of entertainment for all strangers in the sea-ports, to erect shops, warehouses, exchanges, &c. the rents of which would increase the revenue, and add great beauty and magnificence to the city. In short, Xenophon recommends to the state to perform, by the hands of their slaves and strangers, what a free people in our days are constantly employed in doing in every country and industry. While the Athenian citizens continued to receive their daily pensions, proportioned to the value of their pure physical-necessary, their business being confined to their service in the army in time of war, their attendance in public assemblies, and the theatres in times of peace, clothed like a parcel of capucins, they, as became freemen, were taught to despise industrious labour, and to glory in the austerity and simplicity of their manners. The pomp and magnificence of the Persian Emperors were a subject of ridicule in Greece, and a proof of their barbarity, and of the slavery of their subjects. From this plain representation of Xenophon's plan, I hope, the characteristic difference between the ancient and modern oeconomy is manifest; and for such readers as take a particular delight in comparing the systems of simplicity and luxury, I recommend the perusal of this most valuable discourse.

(Steuart 1767, I 460-62)

This 800-word insertion is entirely based on Steuart's 3000-word annotation on *Ways and Means*.¹⁵

Two points need to be made regarding this deletion and insertion in *Principles*. First, the general idea advanced in the deleted paragraph – that under slavery the advancement of luxury is restrained – did not suffer any change. Secondly, by receiving further factual information from *Ways and Means*, Steuart puts forward several additional ideas. Most important among them are: (1) explanation

¹⁵ See Furuya 2014b, 73-79.

of the state of gold and silver in ancient Athens, and (2) approval of Xenophon's plan under the ancient system of slavery.

Before examining these points in detail, let us compare the first draft and the first edition of *Principles* (Steuart 1759, 1767) with the second edition (Steuart 1805). Here the text of the first edition remains intact and two more paragraphs are added after the insertion in Steuart (1767). The two paragraphs added in the second edition are:

To put this matter past all dispute, and to prove that the simplicity of the manners, as well as the idleness of the common people of Athens in Xenophon's time, proceeded from refinement not from ignorance, I shall here insert a passage from President Goguet's *Origin of Laws, Arts, and Sciences*, with the authorities he cites in part 3d, book 4th, chap. 3d.

"Hesiod and Plutarch have observed," says he, "that, in the ages I am now speaking of (before the reign of Cyrus) commerce was held in great honour among the Greeks. No labour, say these authors, was accounted shameful, no art, no trade, placed any difference among men. This maxim, so reasonable and so useful to such a nation as the Greeks, was, nevertheless, altered. We see by the works of Xenophon, of Plato, of Aristotle, and of many other writers of merit, that, in their age, all professions which were calculated to gain money, were regarded as unworthy of a freeman. Aristotle maintains, that, in a well ordered state, they will never give the right of citizens to artisans. Plato would have a citizen punished who should enter into commerce. In fine, we see these two philosophers, whose sentiments, on the principles and maxims of government, are otherwise so opposite, agreeing to recommend that the lands should be cultivated by slaves only*. It is very surprising," concludes the President, "that with such principles, which all the Greeks appear to have imbibed, they should ever have been so intelligent in commerce, and so powerful at sea, as they are known to have been in some ages."

* Plato de Leg. 1. 7. p. 981. Arist. de Rep. 1. 8. c. 10. p. 437.

(Steuart 1805, II 169-70)

Here Steuart refutes the view that the reason why the ancient system of economy differs from the modern system is that the ancient people were ignorant.

This is in line with (2), above, in the sense that Steuart strongly recognizes the ancient system of economy as reasonable if you consider the circumstances properly.

We shall now look more carefully into the points Steuart made in his insertion into the first edition of *Principles*.

5. Argument against the quantity theory of money

In the inserted paragraphs of Steuart (1767) and in the annotation on *Ways and Means*, Steuart turns his attention to Xenophon's supposition that all the rich people would contribute to the Athenian fund. Steuart regarded this as a significant difference between the ancient and the modern worlds, which is worth noting. He says that "[i]n our days, such an idea would appear ridiculous; in the days of Xenophon, it was perfectly rational" (Steuart 1767, I 461) and that "such contributions were better to be expected in those days, than at present" (Furuya 2014b, 75). The reason is clear. It is because "[a]t that time great quantities of gold and silver were found locked up in the coffers of the rich: this was in a great measure useless to them" (Steuart 1767, I 461) and "those who have more than their occasions require, hoard it up, with as much pleasure, as if they used it. A modern would have said, let it out at interest" (Furuya 2014b, 77).

This was important to Steuart because he saw it as solid historical evidence with which to support his explanation of the so-called price revolution.

In antient times, money was not wanting; but the taste for superfluities not being in proportion to it, the specie was locked up. This was the case in Europe four hundred years ago. A new taste for superfluity has drawn, perhaps, more money into circulation, from our own treasures, than from the mines of the new world. [...]

It is more, therefore, through the taste for superfluity, than in consequence of the quantity of coin, that trade comes to be established; and it is only in consequence of trade that we see industry carry things in our days to so high a pitch of refinement and delicacy.

(Steuart 1767, I 176-77)

He repeats this observation later in a forthright manner: “[t]he general taste for the extension of industry, is what has brought such loads of money into circulation; not the discovery of America” (Steuart 1767, I 441).

This observation gives support to Steuart's economic theory through various channels, such as the importance of demand: *Principles* emphasises the important role demand plays in the development of trade and industry. But the most direct channel Steuart had in mind here is the support this observation offers to his theory on money; in particular, through refutation of the quantity theory of money.

In Chapters 28 and 29 of Book 2, Steuart exhaustively refutes Hume's and Montesquieu's argument on the relation between the quantity of money and the price of commodities. He sums up their argument as follows: “that the price of every thing depends upon the *quantity of specie* in the country, which they consider as the representation of *every thing vendible*; as if these two quantities, the *commodities*, and the *specie*, were divided into aliquot parts, exactly proportioned to one another” (Steuart 1767, I 515, his italics). He goes on to provide a comprehensive and cogent theoretical counterargument to Hume and Montesquieu.¹⁶

Steuart comes back to this topic in Chapter 30, this time taking a historical and factual approach.

I have endeavoured to shew, that the price of goods, but especially of articles of the first necessity, have little or no connection with the quantities of specie in a country. [...] A slight review of this matter, in different ages, will set it in a clearer light than a more abstract reasoning can.

(Steuart 1767, I 437)

In those days of small circulation, the prices of every thing must have been vastly low, not from the great abundance of them, but because of the little demand; and as a proof of this, I cite the example of a country, which, within the space of fifty years, possessed in *specie* at one time, considerably beyond the worth of the land, houses, slaves, merchandize, natural produce,

¹⁶ Marx found this counterargument of Steuart's so compelling that he completely borrowed Steuart's argument when refuting the quantitative theory of money (Marx 1859, 135-42).

moveables, and ready money, at another. The example is mentioned by Mr. Hume, and I am surprized the consequence of it did not strike him. For if the money they possessed was greatly above the worth of all their property, moveable and immoveable, surely it never could be considered as a representation of their industry.

(Steuart 1767: I 438, his italics)

According to Steuart, (1) the price of commodities is determined by the complicated operations of demand and (2) competition and specie have their intrinsic value. This touches the core of his economic theory, in which he says that it is essential for the statesman to set a stable standard of money and to introduce bank money and various forms of credit money according to the expansion of demand and circulation.

6. Defence of the mercantilist policy

Another factor which touches the core of Steuart's economic theory is that when you address an economic principle or an economic policy, you must carefully consider the spirit of the people and the circumstances. Steuart praised Xenophon's plan on the ground that it 'was to reap all the benefits we at present enjoy from it, without producing any change upon the spirit of the Athenian people' (Steuart 1767, I 460). He writes, 'Xenophon recommends to the state to perform, by the hands of their slaves and strangers, what a free people in our days are constantly employed in doing in every country and industry' (Steuart 1767, I 462). The message here is clear: that, however ridiculous something may seem from a modern perspective, it may be perfectly rational if you consider the circumstances; and that economic policy must be consistent with the spirit of the people.

The main reason Steuart highlighted this point in *Principles* is that he felt the need to refute some of the liberalistic economic opinions that were gradually coming into fashion. Steuart regarded them as oversimplified and juvenile.

I find it is the opinion of the learned Mr. Hume, that *there is no such thing as a balance of trade, that money over all the world is like a fluid*, which must

ever be upon a level, and that so soon as in any nation that level is destroyed by any accident, while the nation preserves the number of its inhabitants, and its industry, the wealth must return to a level as before.

To prove this, he supposes four fifths of all the money in Great Britain annihilated in one night, the consequence of which he imagines would be, that all labour and commodities would sink in their price, and that foreign markets would therefore be entirely supplied by that industrious people, who would immediately begin to draw back such a proportion of wealth, as would soon put them again upon a level with their neighbours.

This reasoning is consistent with the principles we have examined, and *humbly rejected in the preceding chapter*; both stand upon the same foundation, and *lead to a chain of consequences totally different from the whole plan of this inquiry*.

(Steuart 1767, I 416, my italics)

This combination of Hume's price-specie flow mechanism and denial of the balance of trade is, according to Steuart, in complete conflict with Steuart's economic theory. Steuart argues that, just as an economic policy presupposing slavery may be sensible in some circumstances, economic policy pursuing a favourable balance of trade may also be sensible in other circumstances.

In order to promote industry, a statesman must act, as well as permit and protect. Could ever the woollen manufacture have been introduced into France, from the consideration of the great advantage England had drawn from it, if the King had not undertaken the support of it, by granting many privileges to the undertakers, and by laying strict prohibitions on all foreign cloths? Is there any other way of establishing a new manufacture any where?

(Steuart 1767, I 425, my italics)

Steuart here takes a well-modulated tone; but in the manuscript, Steuart is more straightforward when he argues against Hume's attack on mercantilist policy. Hume (1759) criticizes England's past economic policy, for example economic policy under the reign of Henry VII, including such measures as laws prohibiting the exportation of money, plate, or bullion; prohibition of the export of horses; and fixed prices for woollen cloth, caps and hats. Hume writes, "[i]t is

evident, that these circumstances *ought always to be let free*, and must be trusted to the common course of business and commerce” (Hume 1759, I 64, my italics). Steuart, in his manuscript, refutes Hume’s criticism on each and every one of these measures, declaring that they were all sensible, given their surrounding circumstances. Steuart expostulates with Hume about this offhand application of liberalism to historical policy: “We ought to be very sparing in our censures upon political institutions when we are not fully informed of every circumstance” (Steuart 1760).

This protest against oversimplified liberalistic economics was one of Steuart’s main objectives in writing *Principles*.¹⁷ He expressed this objective forcibly in the last paragraph of the preface, that the argument they are selling to the public is an illusion:

Is it not of the greatest importance to examine, with candour, the operations by which all Europe has been engaged in a system of policy [i.e. mercantilist policy] so generally declaimed against, and so contrary to that which we hear daily recommended as the best? To shew, from the plain principles of common sense, that our present situation is the unavoidable consequence of the spirit and manners of the present times; and that it is quite compatible with all the liberty, affluence, and prosperity, which any human society ever enjoyed in any age, or under any form of government? A people taught to expect from a statesman the execution of plans [i.e. plans in line with Hume's arguments], big with impossibility and contradiction, will remain discontented under the government of the best of Kings.

(Steuart 1767: I xv)

¹⁷ What is described here about Steuart has much in common with following remarks on Steuart by Marx. Marx praises Steuart’s proficiency in historical understanding of society and individual and criticizes Smith’s understanding of them as “simple” or “silly” (Einfältigkeit). “Den Propheten des 18t Jhh., auf deren Schultern Smith und Ricardo noch ganz stehn, schwebt dieses Individuum des 18t Jhh. ... [n]icht als ein historisches Resultat, sondern *als Ausgangspunkt der Geschichte*. ... *Diese Täuschung* ist jeder neuen Epoche bisher eigen gewesen. Steuart, ... hat diese Einfältigkeit vermieden” (Marx 1976, 21-22, my italics). By the same token, Marx describes Steuart as “der rationelle Ausdruck des Monetar- und Mercantilsystems” (Marx 1977, 337, underline is in original text).

7. Concluding remarks

Although study of Steuart's argument on the ancient economy has been largely neglected by critics, there are evidence in plenty to show that it deserves special notice. He warns that the great danger of falling into error upon issues of economy arises from viewing things in too confined a light; and comparing the ancient system of economy with the modern system in various contexts is an approach Steuart regarded as vital for the development of his principles.

By examining those comparisons Steuart drew in *Principles*, it is possible for us to see their direct impact on the particular branches of Steuart's discussion. Principles of the multiplication of mankind, of the negative and positive effects of luxury, of slavery, and of the form of government are the main examples of those branches where the impact of his discussion of the ancient economy is visible.

However, a close look at Steuart's annotation on Xenophon's *Ways and Means*, along with other manuscripts, will reveal that his discussion of the ancient economy constitutes a more profound contribution to *Principles*. The discussion was an important contributing factor in the advancement of an economic theory in which demand, money supply and statesmanship play a prominent role.

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