

THE FIRST GLOBALIZATION DEBATE

CRAUFURD D. GOODWIN

HOPE Center Working Paper No. 2010-03

September 1, 2010



Duke University
Center for the History of Political Economy

The First Globalization Debate

Craufurd D. Goodwin

Department of Economics
Duke University
Box 90097 Durham, NC 27708-0097

Tel. (919) 684-3936 E-mail Goodwin@econ.duke.edu

September 1, 2010

Abstract of
The First Globalization Debate

By

Craufurd D. Goodwin
Department of Economics
Duke University

Early in the 18th century, before the birth of political economy as a discipline, two of the earliest novels in the English language were published: *Robinson Crusoe* (1719) by writer and economic entrepreneur Daniel Defoe, and *Gulliver's Travels* (1726) by the cleric and political adviser Jonathan Swift. The first was widely perceived as an entertaining adventure story, the latter as a pioneering work of science fiction. Both contain indirect comment on the foreign policy of Britain at the time. When viewed from the perspective of the modern economist, however, the works appear to be expressions of opposing positions on the desirability of a nation pursuing integration within a world economy. *Crusoe* demonstrated the gains from international trade and colonization and even the attendant social and political benefits. He explores the instinct to trade overseas, stages of growth, and the need for careful cost-benefit calculations. By contrast Swift warned of the complex entanglements that would arise from globalization, especially with foreign leaders who operated from theory and models rather than common sense. He makes a case for economic autarky.

Key words: Daniel Defoe, Jonathan Swift, *Robinson Crusoe*, *Gulliver's Travels*, globalization debate, international trade, colonies.

JEL codes: B11, B31, F02.

“The First Globalization Debate”

Craufurd D. Goodwin

September, 2010

Today we think of the second half of the 20th century as when the first intense debate was conducted over whether nations fared better under global integration or autarky. World War II brought an end to empire, and nation states old and newly-created out of colonies had to decide whether to find a place in a tightly integrated global system or to retain some degree of economic independence. Topics in the debate that ensued included how to organize a post-colonial world, whether to encourage new federal structures such as the European community, whether to increase international trade and the mobility of capital and labor across borders, whether to increase the number of customs unions such as NAFTA, and whether to move toward a common currency such as the Euro. In fact, issues very much like these were discussed in Great Britain during the first half of the 18th century, before the birth of the modern discipline of political economy. At issue then were mainly three questions: whether to increase the size of the British Empire, with all the attendant costs and benefits, whether to increase international trade rather than just domestic trade, and whether to establish settlements in “new countries,” meaning territories that were either relatively empty or might be wrested easily from aborigines, like North America and Australia. Readers and writers who wished to take part in this debate three centuries ago had few places to look for information and interpretation of developments. Parliament issued occasional reports on matters like whether to extend monopoly privileges to the Hudson’s Bay Company to buy furs or the Royal Africa Company to buy slaves, and

interested parties issued pamphlets giving different sides of arguments over whether trading practices like those of the Spaniards or the Dutch should be introduced. Among the most widely read and respected documents illuminating such questions were travelers' tales, like those of Dampier and Cooke, which described the world through the eyes of miscellaneous wanderers. These works typically contained some reliable information about economic affairs mixed with colorful accounts of voyages, confrontations with natives, and other adventures to titillate the reader (Adams 1962). A new medium for reflecting on globalization at the beginning of the 18th century were works of fiction, just coming into fashion.

In this paper two novels of the time are examined that dealt with the globalization debate:

Robinson Crusoe (1719) by Daniel Defoe and *Gulliver's Travels* (1726) by Jonathan Swift.

These books, although clearly fiction, resemble in form the familiar travelers' tales, perhaps in appreciation that this was what their audience expected, and because the real travelers' tales combined some fiction with conventional narrative reporting (Rogers 1979, 25-50 and Adams 1983). The two novels are on opposite sides of the debate over globalization: Defoe in favor, Swift rather doubtful. These two books have been given many different readings over the years, especially ones that emphasize issues of colonies and self-interested behavior. Colley suggests that these novels represent two contrasting parables of British colonization (Colley 1-3). It is suggested here that this is too narrow a view. This paper grows out of a reading by a modern economist to whom, it seems, integration within the world economy is the main question.

Defoe, a member of the British mercantile community, was a colorful contributor to debates over commercial policy (e.g. Defoe, *A Plan of The English Commerce*, 1728) and was also an

innovator in the fictional form. Peter Earle has demonstrated how little can be said with confidence about Defoe's life, and he has also gathered together Defoe's disparate ideas on many economic subjects, domestic and international, under the heading "The Economics of Stability" (Earle 3-25 and 107-157). *Robinson Crusoe* is arguably the first novel in English. Jonathan Swift, by contrast, was a cleric and Dean of St. Patrick's Cathedral, Dublin. Like Defoe he was often involved in politics and political controversy, on the other side from Defoe. These were the kind of men from whom expressions of positions on public policy came before the emergence of the social sciences later in the century. Did economic thinkers read these novels that looked, after all, like children's books? Perhaps not! *Robinson Crusoe* was treated "mainly as a popular hack production when it came out" and its market was mainly among the lower classes; "nobody thought of it as any sort of high literature" (Rogers 128 and 129). As far as we can tell no mention of either book appears in the catalog of Adam Smith's library, or in the economic writings of Smith, Hume and Bentham. But it is highly likely that these scholars were familiar with both books. The amount of printed literature at the time was not so large that they would have passed over two of the best-known works of their era. If they did read them, what would they have gleaned that would have contributed to their understanding of the globalization debate? A good deal it is suggested here. In these books many of the most powerful and complex arguments for and against globalization were set forth two and a half centuries before they rose to prominence again. And what may we learn from an examination of these documents today? We may see there has been remarkable constancy in issues for debate over the last three centuries, and in these early works there are some striking anticipations of much later thinking in economics. This exercise may also demonstrate how an economist's reading of great works of

literature, even those “stories” that economists view with suspicion, may reveal unexpected insights.

The Benefits of Globalization: Defoe and Crusoe

Defoe was 69 years old when *Robinson Crusoe* was published and he was well established as a prolific writer with more than 400 books, articles, and pamphlets on subjects from politics to poetry on his curriculum vitae (Rogers 1). He had engaged in a variety of projects, from raising civet cats for the perfume trade to serving as a spy in Scotland, in most cases unsuccessfully. He spent time in Fleet Gaol, Newgate Prison, and the Pillory, usually for debt. The inspiration for *Robinson Crusoe* was, in part at least, the experience of a Scots seaman, Alexander Selkirk, who spent more than four years (1704-9) alone on the island of Juan Fernandez off the coast of Chile (Rogers 17) and whose exploits were well recorded and published by his shipmates. The earliest and most obvious interpretation of *Robinson Crusoe* is as an adventure story directed toward children or readers in the lower classes, rather like an 18th century predecessor of the TV series “Survivor.” But some later critics have suggested very different interpretations: for example religious themes such as the prodigal son’s return, Jonah and the whale, and God’s punishment for misbehavior (25 years in solitary confinement) (Novak 536-548). Others have detected in the work an allegory of capitalism, and of Defoe’s own life, a defense of the rising middle class in search of wealth and gentility, and an exploration of man struggling with the state of nature, a construct widely in use among moral philosophers at the time. James Joyce saw the book as a prophecy of empire, and Ian Watt as a prophecy of the competitive market system dependent on many isolated individual decision makers. Karl Marx saw Crusoe as the first economic man embodied in a model where his actions are determined by the circumstances assigned to him

(Ellis, 10, 15, 39-54, 90). Without disputing any of these readings, it is suggested here that today's economist may see the work as a parable of open-economy economic growth, with some issues related to that process taken into account that would not surface again in the professional literature of economics for some years.

The hero of *Robinson Crusoe* is what we might call today a successful but star-crossed multinational entrepreneur with some parallels to Defoe himself. The child of families from two European nations, the English Robinsons and the German Kreutznaers, Robinson is assured from birth of a comfortable middle class life in the English provincial city of Hull if only he behaves himself. His prospects are good of acquiring a fortune "by application and industry, with a life of Ease and Pleasure" (I, 2). But against the strong admonitions of his xenophobic father, Robinson at age 18 determines to follow his "wandering inclinations" and seek his fortune overseas (I, 3 and 5). His father assures him that "if he goes abroad he will be the miserablest wretch that ever was born" (I, 6). But on this point Crusoe will not, apparently, listen to reason. Throughout the book we hear repeatedly of Crusoe attempting to restrain this powerful "wandering spirit," this "wanderlust," this "chronical distemper" that drives him on, but he is unable to resist (III, 80; II, 112 and 119). He denies that the desire for trade is the ultimate source of his travel mania.

"Trade was not my Element, Rambling was, and no Proposal for seeing any Part of the World which I had never seen before, could possibly come amiss to me" (III, 109). When reading these passages we are reminded of Adam Smith's attention to the "principle which gives occasion to the Division of Labour," which "is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no

such extensive utility; the propensity to truck, barter, and exchange one thing for another” (Smith 1976 [1776] 25). Crusoe reports that his father warns if he does not resist this instinct to travel abroad and engage in international trade he “might see a visible Hand of Heaven against me” (I, 14), the opposite presumably of the benevolent Invisible Hand that Smith observed to be governing trade. Defoe makes the point that international trade and travel must always face the prejudices of the common man, represented here by his father.

Crusoe’s judgment overall, and that of Defoe, is that international travel is a grand civilizing force, able to tame even the dreaded Spaniards. Crusoe tells of one group of Spanish merchants he came to know, “I never met with seventeen Men of any Nation whatsoever, in any foreign Country, who were so universally Modest, Temperate, Virtuous, so very Good-humour’d, and so courteous as these Spaniards” (II, 195). He is complimentary also of the notoriously wild Scots merchants: “Men of great Experience in Business, and Men of very good Substance” (III, 163). Clearly Defoe is making use of the argument examined by Albert Hirschman (Hirschman 1977), that became a central component of the liberal tradition in economics, that in addition to being the route to efficiency “the interests” (trade) are an educational tool and an effective way to constrain, and render productive, the dangerous human passions.

Crusoe makes international trade look easy. He invests 40 pounds in his first voyage and soon has 300 in return. He settles in Brazil and begins what we would call today a “start-up” in sugar production. This too prospers (I, 38). But once more the human problem appears; his wanderlust kicks in - what he calls at this point his “original sin” (I, 225), and he undertakes a voyage in search of slaves for his plantation and is shipwrecked on a desert island. In these desperate straits

Crusoe demonstrates what can be accomplished by a rational, optimizing, economic man when severely challenged and *in extremis*. He removes from the wreck only those high value capital goods, like carpenter tools and critical raw materials that are likely to have the greatest use in future production; he prefers tools to gold that can have no value because there is no market: “one of those knives,” he remarks, “is worth all this heap” (I, 64). Crusoe manages his time carefully, limits his personal consumption, accumulates those capital goods that have the highest payoff, and trains himself in all the skills that are required for survival. He is ever optimistic and even rationalizes his strategy. “Reason is the Substance and Original of the Mathematicks, so by stating and squaring every thing by Reason, and by making the most rational Judgment of things, every Man may be in time Master of every mechanick Art” (I, 77). Crusoe constructed a cost-benefit balance sheet of the circumstances on the island, with the “Evil” on one side and the “Good” on the other (I, 75.). The course of his life on the island reflects the stages of development so popular with Enlightenment economic thinkers. After an initial period of hunting and gathering Crusoe moves to settled agriculture and is restrained from moving to manufacturing and international commerce only by the extent of the market - none (I, 86). Just to show that he is human Crusoe admits that he occasionally makes mistakes. At one point he constructs a boat too far from the water to be launched. “This griev’d me heartily, and now I saw, tho’ too late, the Folly of beginning a Work before we count the Cost; and before we judge rightly of our own Strength to go through with it” (I, 147-8). One of Crusoe’s continuing concerns was how to increase production beyond a certain point in the absence of division of labor and external commerce. It took two people, he found, just to operate a grindstone (I, 94). After a while, though all alone and lonely, Crusoe took solace and pride in ownership of the island, justified through a simple interpretation of what sounds like a Lockean theory of property

rights but may have come from Grotius and Pufendorf (Novak 242). Ownership, he was glad to note, was established by labor invested. He described thus a walk one day in his estate. “I descended a little on the Side of that delicious Vale, surveying it with a secret Kind of Pleasure, (tho’ mixt with my other Afflicting Thoughts) to think that this was all my own, and that I was King and Lord of all this Country indefeasibly, and had a Right of Possession; and if I could convey it, I might have it in Inheritance, as completely as any Lord of a Mannor (sic) in England” (I, 114).

Crusoe made numerous comments about the development process on the island, both while he was alone and after the arrival of his aboriginal side-kick Friday. He observed that growth depended upon his capacity to envisage new goods and processes that were required, invention as well as accumulation (I, 136). The absence of companions meant that he was spared the rigors and the wastes of interpersonal competition. “I was remov’d from all the Wickedness of the World here. I had neither the Lust of the Flesh, the Lust of the Eye, or the Pride of Life. I had nothing to covet; for I had all that I was now capable of enjoying: I was Lord of the whole Manor; or if I pleas’d, I might call myself King, or Emperor over the whole Country which I had Possession of. There were no rivals” (I, 148 and 166). He was especially glad to have no reason for jealousy. “How little repining there would be among Mankind, at any Condition of Life, if People would rather compare their Condition with those that are worse, in order to be thankful, than be always comparing them with those which are better, to assist their Murmurings and Complainings” (I, 193-4). He discovered that in settled agriculture animals were much like humans; they responded rationally to the carrot and the stick. “Hunger will tame a Lyon. If I had let him stay there three or four Days without Food, and then have carry’d him some Water to

drink, and then a little Corn, he might have been as tame as one of the kids [his young goats], for they are mighty sagacious tractable Creatures where they are well used” (I, 168). He observed that, regrettably, fear among humans was one of the great barriers to reasoned action. He sounded like Franklin Roosevelt during the Great Depression when he remarked: “O what ridiculous Resolution Men take, when possess’d with Fear! It deprives them of the Use of those Means which Reason offers for their Relief...Thus Fear of Danger is ten thousand Times more terrifying than Danger itself” (I, 184). He minimized his own anxiety by a kind of self-insurance; he cultivated his crops on several “Bits of Land, remote from one another” so that if he lost one he did not lose all. This “was the most rational Design” (I, 188).

The first part of *Robinson Crusoe* is a story of how a curious, well-motivated and rational Englishman discovers that there is easy money to be made and prosperity to be gained by international trade and settlement of new countries, even when the circumstances are most trying. All that is required for successful economic development is the sensible application of reason. The simple economics of globalization, he implies, are that it is a win-win situation for all concerned. The second part of the book contains observations similar to those made popular by Milton Friedman more than two centuries later, that global integration and the growth of international trade and development could have salutary social and political effects, as well as economic ones. Crusoe escapes from his island but retains dominion over it because of his labor invested in it: “the whole Country was my own meer Property; so that I had an undoubted Right of Dominion” (II, 30). Accordingly he sets out to encourage additional settlement and to construct a society on the island rooted in hard work, property rights, self-interest and a well-motivated incentive system.

Crusoe was as skeptical of any good effects from man's unreasoning passions as from his supposed generous nature. The sensible, self-interested homo economicus was all that was needed to make a successful global economy. "Man, is a short-sighted Creature, sees but very little Way before him; and as his Passions, are none of his best Friends, so his particular Affections, are generally his worst Counsellors" (III, 81). He had little faith in beneficent feelings. "Gratitude was no inherent Virtue in the Nature of Man; nor did Men always square their Dealings by the Obligations they had receiv'd, so much as they did by the Advantages they expected" (II, 34). Crusoe hoped that his model society established on a far-off island would challenge the corruption he saw around him in Britain: "one Part labouring for Bread, and the other part squandering in vile Excesses or empty Pleasures, equally miserable, because the End they propos'd still fled from them; for the Man of Pleasure every day surfeited of his Vice, and heaped up Work for Sorrow and Repentance; and the Men of Labour spent their Strength in daily Strugglings for Bread to maintain their vital Strength...."(II, 117-8). Living alone on the island had taught Crusoe the virtues of the simple life: "I suffer'd no more Corn to grow, because I did not want it; and bred no more Goats, because I had no more Use for them; [T]here the Money lay in the Drawer 'til it grew mouldy, and had scarce the Favour to be look'd upon in 20 Years" (II, 118).

The settlers Crusoe brought to the island, after he himself had escaped, were mainly rootless sailors and aboriginal refugees from some nearby conflict. The results were in all respects positive and promising for the effectiveness of future penal colonies. The natives were transformed by their contacts with the Europeans. "The Indians or Savages were wonderfully

civilized by them, and they frequently went among them” (II, 218). The Europeans were improved by their immersion in hard work while guaranteed security of tenure. In all cases participation in a simple market economy cured the vices of the inhabitants who learned that rewards were proportional to their contributions. “The Diligent liv’d well and comfortably, and the Slothful liv’d hard and beggarly; and so I believe, generally speaking, it is all over the World” (II, 193). He propounded a sort of English stiff-upper-lip theory of human development: “it was not the Part of wise Men to give up themselves to their Misery, but always to take Hold of the Helps which Reason offer’d, as well for present Support, as for future Deliverance” (III, 1).

The last part of this novel is concerned with how best to construct an empire using the development model perfected on Crusoe’s island. Defoe makes various thoughtful suggestions, as for example that colonies be supplied with sufficient weapons to protect themselves from invaders but not enough to menace their neighbors (III, 70). This was a principle later touched upon by Adam Smith in his discussion of “the Expence of Defence” (Smith 1976 [1776] 689-708). Defoe implies that by greater trade and contact with the West, countries of the South and East, through which he passed on his travels, might at the same time become more civilized and more economically efficient. He found China to be “a Country infinitely populous, but miserably cultivated; the Husbandry, the Oeconomy, and the Way of living miserable, tho’ they boast so much of the industry of the People; I say, miserable, and so it is, if we who understand how to live were to endure it, or to compare it to our own...”(III, 155). Adam Smith, from the “accounts of all travelers” reached the same low opinion of China (Smith 1976 [1776] 89). Clearly, they

both agreed, a few Englishmen living among the Chinese could, by example, raise them to a higher standard.

The Costs of Globalization: Swift and Lemuel Gulliver

Gulliver's Travels (1726) is generally understood to be a critique of conditions in Britain and Ireland at the time it was written, as well as of the evolving notion of the rational man. Like *Robinson Crusoe* it too has received many different readings. George Orwell saw the book as an attack on totalitarian regimes, although with an unnecessarily pessimistic view of human nature. Mahatma Gandhi saw it as an ironic condemnation of modern civilization. Edward Said saw Swift as a model for the politically-engaged intellectual (Oakleaf 6-8). Brean Hammond argues that *Gulliver's Travels* is an "anti-novel – a work of prose fiction that was at least partly designed to summarize novelistic developments to date and call a halt to them" (164). In this reading Swift contributed to the dominant contemporary sense that reading fiction was a dangerously private activity that could slacken the morals of young people, causing them to be inattentive to their duty and discontented with their lot" (164). The book was in some ways a response to *Robinson Crusoe*, published only seven years earlier, even though Swift is reported to have called Defoe "the fellow that was pilloried, I have forgot his name". Presumably this patronizing slight was because Defoe was not a "gentleman," and was a Presbyterian to boot (Ellis 2). Whereas *Crusoe* told a story of globalization without pain, where everything goes well even on desert islands and in confrontations with pirates, *Gulliver* provides a picture of globalization that is far from rosy. *Gulliver* has much to say, even if obliquely, about the main issues addressed in the earlier work: trade, empire, and overseas settlements. The process of global integration did not represent for Swift, as it did for Defoe, the triumph of rational man

over demanding circumstances. Rather, it meant for him involvement with the complex schemes of incompetent entrepreneurs and corrupt politicians at home and abroad, and relations with highly eccentric and obtuse foreigners. His message is that the world is a messy place and a nation may be well-advised to keep it at arm's length. In contrast to the rather straight-forward literary devices of *Robinson Crusoe* the metaphors and other techniques of *Gulliver's Travels* must be handled with care to grasp their true meaning, if in fact there is such a thing. In the world described in *Crusoe* all humans, even the "savages," are essentially similar in character and capable of being socialized to become predictable, productive, rational men. The people Gulliver meets on his travels are, by contrast, wildly heterogeneous, unpredictable, and by conventional standards irrational. Clearly international relations in Gulliver's world could be far more complex and problematic than in *Crusoe's*.

The arguments found in *Gulliver's Travels* are often reminiscent of those voiced during the second half of the twentieth century by skeptics of such extensions abroad as the European Union for Britain, NAFTA for the United States, and the various UN-affiliated international organizations for almost everyone. Even though most readers of *Gulliver's Travels* at the time may not have grasped these questions, for our purposes we are justified in taking the book at face value, where its dominant message is a cautionary tale about foreign entanglements.

The four principal lands through which Gulliver journeys in his traveler's tale are all very different from each other, from the countries visited by *Crusoe*, and from 18th century Britain. In the first, Lilliput, the citizens are small in stature but sensible overall, generous to each other,

committed to education, and apparently in all respects rational. At the start, one would think of them as most satisfactory trading partners. “These people are most excellent Mathematicians, and arrived to a great Perfection in Mechanicks by the Countenance and Encouragement of the Emperor, who is a renowned Patron of Learning” (21). The Emperor allows Gulliver to stay a while and agrees to provide him with enough food to support exactly 1728 Lilliputians: “his Majesty’s Mathematicians, having taken the Height of my Body by the Help of a Quadrant, and finding it to exceed theirs in the Proportion of Twelve to One, they concluded from the similarity of their Bodies, that mine must contain at least 1728 of theirs, and consequently must require as much Food as was necessary to support that number of Lilliputians. By which, the Reader may conceive an Idea of the Ingenuity of that people, as well as the prudent and exact Oeconomy of so great a Prince” (39). So far so good.

Such technical skills and commitment to science seemed to bode well for the overall civilization of the Lilliputians and the domestic and foreign policies of the nation. But such was not always the case. The Lilliputians were obsessed by perceived threats at home and abroad which led to lamentable results. They waste their lives and their treasure in useless internecine adventures at home and against their neighbors. Although the threats the Lilliputians perceive seem absurd to outsiders, within they loom large. (The Hundred Years War then, perhaps the Iraq and Afghanistan Wars now?). One result is endless partisan bickering; “for about seventy Moons past, there have been two struggling Parties in this Empire,

under the Names of Tramecksan and Slamecksan, from the high and low Heels of their Shoes, by which they distinguish themselves” (42) The most serious dispute surrounds whether boiled eggs should be cracked open from the big end or

the small end. This has led to the death and emigration of thousands of dissident Big Enders to the neighboring nation of Blefuscu, where they foment war and invasion. Indeed, as one Lilliputian explains, “a bloody War has been carried on between the two Empires for six and thirty Moons with various Success: during which Time we have lost Forty Capital Ships, and a much greater Number of smaller Vessels, together with thirty thousand of our best Seamen and Soldiers; and the Damage received by the Enemy is reckoned to be somewhat greater than ours” (43-4). From this account Gulliver makes clear that international economic relations with Lilliput, or countries like it that have well-educated and rational populations, could be, at a minimum, unpredictable, and possibly catastrophic. The commercial interests of the Lilliputians might well be taken into account by their excellent calculators, but passions seem likely to prevail in the end. “Of so little Weight are the greatest Services to Princes, when put into the Balance with a Refusal to gratify their Passions” (47). Even where mathematics is carried to the highest level, Swift argues, reason cannot be counted on to prevail.

Trade with Lilliput was likely to be hazardous also because of the eccentric commercial practices of the country which may have made sense in their own culture but were dangerous to unwitting outsiders and potential trading partners. Some practices were quite creative, as for example requiring that all parents bear the full costs of educating their children so as to minimize public expenditure and discourage over-population. Others were of dubious merit, such as the practice

of placing moral virtue ahead of competence in the administration of public business, for “they thought the Want of Moral Virtues was so far from being supplied by superior endowments of the Mind, that Employments could never be put into such dangerous Hands as those of Persons so qualified; and, at least, that the Mistakes committed by Ignorance in a virtuous Disposition, would never be of such fatal Consequence to the publick Weal, as the Practices of a Man, whose Inclinations led him to be corrupt, and had great abilities to Manage, to multiply, and defend his Corruptions” (53). Hence, the commercial policies of Liliput were more likely, by design, to be in the hands of well-meaning bumbler

who could do little harm, than clever analysts and operators who could do a great deal of damage. Could it be that Swift was anticipating the United States that has always resisted the development of a “Mandarin” public service and has depended on political appointees that change with each new administration? Then there was the law recognizing the importance of markets by making fraud punishable by death (52). This too could be hazardous to the innocent foreign trader. The same punishment was imposed for ingratitude as for fraud, because “whoever makes ill Returns to his Benefactor, must needs be a common Enemy to the rest of Mankind, from whom he hath received no Obligation; and therefore such a Man is not fit to live” (54). The lesson from Liliput is that even with such an attractive neighboring country economic relations may lead to entanglements where costs of various kinds exceed benefits.

Gulliver’s second major port of call is Brobdingnag, a country where the people are as large physically as they are small in Lilliput, and where he is treated like a strange household pet. There he is persuaded to tell about affairs in Britain and is distressed “to hear our noble Country,

the Mistress of Arts and Arms, the Scourge of France, the Arbitress of Europe, the Seat of Virtue, Piety, Honour and Truth, the Pride and Envy of the World, contemptuously treated” (96). The King of Brobdingnag was especially troubled by the apparent plans in Britain to build up an empire through force of arms. “He asked, what Business we had out of our own Islands, unless upon the score of Trade or Treaty, or to defend the Coasts with our Fleet. Above all, he was amazed to hear me talk of a mercenary standing Army in the Midst of Peace, and among a free People” (119). The lesson from Brobdingnag is that what Britain might perceive as generous and enlightened policies toward the world could be seen by others as negative and hostile, and an excellent international reputation might experience a swift collapse (Britain and the United States in Afghanistan?)

In Laputa, the third major country Gulliver visits, he finds what we might describe today as a nation of “nerds,” like an extended Silicon Valley. It is startling to discover this conception envisaged so clearly at this early date. The nerds boasted many technological marvels, such as a giant airship, an “island in the sky” by which they travelled around the country. However, they acted almost entirely according to theories and scientific models, some of which worked well

but many of which did not. For example they decided to make Gulliver a new suit of clothes and a tailor arrived to do the job. “He first took my Altitude by a Quadrant, and then with a Rule and Compasses, described the Dimensions and Out-Lines of my whole Body; all which he entered upon Paper, and in six Days brought my cloths very ill made, and quite out of Shape, by happening to mistake a Figure in the Calculation. But my Comfort was, that I observed such

Accidents very frequent, and little regarded” (149). The Laputian nerds were so obsessed with and agitated by their theories, and the projects that emerged from them, that they became dangerously paranoid about their environment. “They are so perpetually alarmed with the Apprehensions of these and the like impending Dangers, that they can neither sleep quietly in their Beds, nor have any Relish for the common Pleasures or Amusements of Life” (151). Think of attitudes during the Cold War. Can these practitioners of “enlightened public policy” be recognized in counterparts today? Perhaps the denizens of the area within the Washington Beltway, or the staffs of the international organizations so reviled by Joseph Stiglitz, eager to impose conditions on those they are charged to help. It has been suggested that Swift had Ireland’s relations with England in mind when he bemoaned the effect of theory on events (Hammond 166).

The rulers of Laputa were so blinded by their models that they had no interest in the institutions or customs of other nations, a condition similar to the disinterest today in international studies among modern social scientists. The king had “not the least Curiosity to inquire into the Laws, Government, History, Religion, or Manners of the Countries where I had been; but confined his Questions to the state of Mathematicks, and received the Account I gave him, with great contempt and Indifference” (153). Laputa had gone so far as to establish “Academies of Projectors” in all the major cities wherein the chimerical schemes that devastated the country could be developed and nerds could be trained. “In these Colleges, the Professors contrive new Rules and Methods of Agriculture and Building, and new Instruments and Tools for all Trades and Manufactures, whereby, as they undertake, one Man shall do the Work of Ten; a Palace may be built in a Week, of minerals so durable as to last for ever without repairing. All the fruits of

the Earth shall come to Maturity at whatever season we think to chuse, and increase an Hundred Fold more than they do at present; with innumerable other happy Proposals. The only Inconvenience is, that none of these projects are yet brought to Perfection; and in the mean time, the whole Country lies miserably waste, The Houses in Ruins, and the people without Food or Cloaths” (164-

5). When Gulliver visited one of these colleges for projectors he was “but ill entertained; the Professors appearing in my judgment wholly out of their Senses” (175). Could these be “the best and the brightest” of the eighteenth century, and could these be the “projects and projectors” so reviled by Adam Smith that he was prepared to make an exception to the principle of free markets and to restrain them through a cap on interest rates? (Smith 1976 (1776) 357). The South Sea Bubble burst in 1720, just six years before publication of *Gulliver’s Travels* and Swift may have taken advantage of an audience sensitive to the hazards of speculative international endeavors.

Gulliver’s account of the fourth country he visited at length is the most poignant. This nation of the Houyhnhnms [pronounced “Winhams”] was distinguished, first, by its complete autarky, separation from the world achieved through geography and conscious policy, and second because it was governed by a breed of horses who give the country its name. The most fearsome and troublesome animal in the country was a wild human called a *Yahoo*, domesticated with difficulty as a beast of burden. Like most other nations, this one claimed to be governed by reason, but of a special kind rooted in virtue. “As these noble *Houyhnhnms* are endowed by Nature with a general disposition to all Virtues, and have no Conceptions or Ideas of what is evil

in a rational Creature, so their grand Maxim is, to cultivate *Reason*, and to be wholly governed by it” (249). They demonstrated that the application of reason to public policy worked admirably when accompanied by a strong commitment to high moral principles. But without such ethical values, as it appeared was the case in Britain, Gulliver concluded that reason made a bad situation worse. It is clear that Swift constructs the land of the Houyhnhnms as a place of role reversal for humans, an opportunity for humans to behold themselves in a mirror as they contemplate global adventures. The obvious implications of the Houyhnhnm case for globalization are, first, that a country should get its own house in order before venturing abroad, and second that international activities where virtue is not transcendent may worsen conditions at home as well as overseas. And of course the Houyhnhnms demonstrated that a nation could do very well with no international entanglements at all.

After hearing an account of developments in Europe one Houyhnhnm leader was convinced that reason combined with virtue would be forever beyond the grasp of Yahoos, partly civilized as they might be in Britain or not. “He seemed

therefore confident, that instead of Reason, we were only possessed of some Quality fitted to increase our natural Vices; as the Reflection from a troubled Stream returns the Image of an ill-shapen Body, not only *larger*, but more *distorted*” (231). Gulliver explained to the Houyhnhnms that money alone made the world go round in Britain: “when a *Yahoo* had got a great Store of this precious Substance, he was able to purchase whatever he had a mind to; the finest Cloathing, the noblest Houses, great Tracts of Land, the most costly Meats and Drinks; and have his choice of the most beautiful Females. Therefore since *Money* alone, was able to perform all these Feats,

our *Yahoos* thought, they could never have enough of it to spend or to save, as they found themselves inclined from their natural Bent either to Profusion or Avarice. That, the rich Man enjoyed the Fruit of the poor Man's Labour, and the latter were a Thousand to One in Proportion to the former. That the Bulk of our People were forced to live miserably, by labouring every Day for small Wages to make a few live plentifully" (234). The Houyhnhnms were horrified by what they heard about Britain. Greater international engagement by Britain, they concluded, would lead most likely to greater waste and corruption in the British economic and social system, as it had done in the past: "in order to feed the Luxury and Intemperance of the Males, and the Vanity of the Females, we sent away the greatest Part of our necessary Things to other Countries, from whence in return we brought the Materials of Diseases, Folly, and Vice, to spend among ourselves" (235). The Houyhnhnms were not impressed by the possibility that competition would bring order to a society without virtue. The appeal of monopoly was too great. Competition in Britain consisted mainly of barbaric scrambling and squabbling. "For, if (said he) you throw among five *Yahoos* as much food as would be sufficient for fifty, they will, instead of eating peaceably, fall together by the Ears, each single one impatient to *have all to itself*; and therefore a Servant was usually employed to stand by while they were feeding abroad, and those kept at home were tied at a Distance from each other" (242). Some later critics have seen Swift's chapter on the Houyhnhnms as a call for authoritarian rule to restrain the inevitable misbehavior of the *Yahoos* (humans).

Perhaps reflecting on the wanderlust described so enthusiastically by Defoe,

Swift reports that the human proclivity for foreign travel was likely to be more troublesome than constructive because of human irresponsibility. “And it was peculiar to their Temper, that they [the Yahoos] were fonder of what they could get

by Rapine or Stealth at a greater Distance, than much better Food provided for them at home” (243). As to the claim of population pressure as an excuse for foreign settlements the Houyhnhnms observed that if the Yahoos would adopt their own one-child policy the need for population control would disappear (250). One significant benefit of complete autarky, the Houyhnhnms noted, was protection from infectious diseases (255).

On his return to Britain Gulliver misses the Houyhnhnms greatly. Their conversation had been stimulating and enlightening, unlike that of his fellow Britons. “Their subjects are generally on Friendship and Benevolence, or Order and Oeconomy; sometimes upon the visible Operations of Nature, or Ancient traditions; upon the Bounds and Limits of Virtue; upon the unerring Rules of Reason; or upon some determinations, to be taken at the next great Assembly; and often upon the various Excellencies of *Poetry*” (259) By contrast he found Britain little civilized. “When I thought of my Family, my friends, my Countrymen, or human race in general, I considered them as they really were, *Yahoos* in Shape and Disposition, perhaps a little more civilized, and qualified with the Gift of Speech, but making no other Use of Reason, than to improve and multiply those Vices, whereof their Brethren in this Country had only the Share that Nature allotted them” (260). Instead of Britain extending its economy overseas to bring trade and development to the rest of the world Gulliver wished that the Houyhnhnms “were in a Capacity or Disposition to send a sufficient Number of their Inhabitants for civilizing Europe; by teaching

us the first Principles of Honour, Justice, Truth, Temperance, publick Spirit, Fortitude, Chastity, Friendship, Benevolence, and Fidelity” (274).

Conclusion

So what might an Enlightenment thinker on economic questions have observed from these two novels? And what may we take away today? First, there were methodological lessons that might be learned. In these two works of fiction taken together some of the most pressing economic issues of the day were laid metaphorically before the public with both sides presented in a rather balanced and sympathetic fashion, almost as if by two barristers in a court of law. A reader of these two works would not have had great difficulty in preparing from them a cost-benefit calculation for a nation of greater integration within a global economy. It cannot be claimed that the arguments on either side present in these novels were

unfamiliar at the time, but in these books they were assembled in a form that was entertaining and easily accessible to the reader. The second methodological innovation was the use of “conjectural history” to illustrate arguments (Turk 2010). This method was employed later most prominently by Adam Smith in *The Wealth of Nations* through his device of “a state of nature.” No such state ever existed, of course, but through the conjecture it permitted conditions to be contemplated very much in the same way as through a modern economic model. There never was a time when land was not in short supply or capital goods were not required for production, but through a conjecture one could ask “what if there had been?” In the same way there certainly never had been Crusoe’s island or Gulliver’s travels, but “what if there had been?” In both cases

something like *ceteris paribus* conditions were postulated so that relationships between key variables could be made clear.

The single question to which these novels are addressed is how humans can be expected to behave in market situations, and especially where different nations and cultures are involved. The answer to this question was central to the formation of public policy at that time. Both novelists accepted the proposition that humans were at heart governed by passions that could quickly become violent and socially dysfunctional. Their difference was over the issue of whether economic activity in a competitive market could lead humans to control these passions through an overall commitment to cooperation and personal control. Defoe had no doubt that they could and would. Production and exchange in an environment of secure property rights and personal security would, he was persuaded, civilize the most savage brute and primitive aboriginal. The motivating force was enlightened self-interest. Participants in a competitive market could see, or be taught to see, that their most satisfactory outcomes would emerge from playing by the rules; and so they did. On this ground it would be in the interest of any nation to encourage international trade and settlement, to take advantage of the division of labor, and to improve the behavior of all human beings, whether by nature depraved or at an early stage of their development. Globalization was pictured in the conjectured history of Robinson Crusoe as a positive sum game that all rational humans should play to the full; the result would be that humans everywhere would become increasingly rational and peace-loving, and the world would become a happier and more prosperous place.

By contrast the conjectured history of Swift and Gulliver is very different. For them the world is not full of conventionally, or even potentially, rational economic actors with humans becoming increasingly civilized with their passions under control through immersion in global markets. Instead the humans in the lands that Gulliver visits are in varying degrees neurotic, delusional, misguided, vicious, and demonstrating no signs of progress of any kind. For the most part contact with them on a large scale would be mysterious and troublesome. Moreover, national characteristics appear to be stable, and it would be futile to think of changing them by trade, settlement, or any other simple means. The only foreign country on Gulliver's travels that seems truly civilized and well governed is ruled by a well-meaning tribe of horses that have the good sense to keep humans (Yahoos) under tight control and to prohibit international interaction of all kinds. Swift shows the dark side of conjectured history.

Apart from the overarching theme of globalization in these two novels a number of other notions catch the eye of an economist today and probably caught the attention of economic thinkers in their time. One is the puzzling motivation that leads men to travel and explore before personal gain has become clear and even when personal loss seems the most likely result. Defoe suggests that this wanderlust is based not on reason but is hard-wired into some people such as Crusoe. When the question arises of why Gulliver does not tire of his travels the same possibility of some inherent but irrational curiosity arises. This issue becomes important for Adam Smith when he reflects on how the extended market gets started. Other elements of what later would be known as classical economics can be found especially in *Crusoe*: the importance of secure property rights for economic incentives, the natural stages through which economic development will occur, the need for innovation as well as accumulation in investment, the emulative wastes that

emerge in developed society, the paralyzing effects of fear on economic activity, and the image of China as the quintessential economy with enormous potential but little achievement to date. It is too much to suggest that Smith and other readers got the answers to many questions from these novels, but they may have found some stimulation that they did not receive in simple observation of the circumstances around him.

The cynical observations of Swift may have been as stimulating as the upbeat reflections of Defoe, and some of them are thought-provoking even today. Swift was deeply suspicious of high theory and complex technique in the formation of public policy. Moreover, he noted that well-trained policy makers who lacked a moral compass could do more harm than good. He noted that nations could easily become unbalanced and paranoid and could engage in foolish conflict for which there was no economic (reasonable) justification. The only way to understand such behavior was by exploring the culture, history, and institutions of people rather than by postulating them all to be rational actors. An international economic policy to be seriously considered by nations, Swift implied, was not globalization but autarky.

Finally, it is worth reflecting a little on the use of fiction in this first globalization debate to reach a wide audience and to simplify arguments that were not always easy to grasp in the abstract. It is striking that this device has disappeared from the scene today. Is this to be applauded or regretted?

References

Adams, Percy G. 1962. *Travelers and Travel Liars 1660-1800*. Berkeley and Los Angeles: University of California Press

-----, 1983. *Travel Literature and the Evolution of the Novel*. Lexington: The University Press of Kentucky.

Colley, Linda. 2002. *Captives: Britain, Empire and the World, 1600-1850*. New York: Pantheon.

Defoe, Daniel. [1717] 1927. *The Life and Strange Surprizing Adventures of Robinson Crusoe of York, Mariner*. 3 vols. Oxford: Basil Blackwell.

----- [1728] 1927. *A Plan of the English Commerce*. Oxford: Basil Blackwell.

Earle, Peter. 1977. *The World of Defoe*. New York: Atheneum.

Ellis, Frank H. ed. 1969. *Twentieth Century Interpretations of Robinson Crusoe*. Englewood Cliffs: Prentice-Hall.

Hammond, Brean. 2010. *Jonathan Swift*. Dublin: Irish Academic Press.

Hirschman, Albert O. 1977. *The Passions and the Interests*. Princeton: Princeton University Press.

Novak, Maximillian E. Novak. 2001. *Daniel Defoe: Master of Fictions*. Oxford: Oxford University Press.

Oakleaf, David. 2008. *A Political Biography of Jonathan Swift*. London: Pickering and Chatto.

Rogers, Pat. 1979. *Robinson Crusoe*. London: George Allen and Unwin.

Swift, Jonathan. [1726] 2005. *Gulliver's Travels*. New York: Oxford University Press.

Turk, Michael H. 2010. "Economics as Plausible Conjecture," *History of Political Economy*, 42:3. 521-546.