

Lord Kames as an Economist*

—Hume-Tucker Controversy and the Economic Thought of Kames—

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I Hume-Tucker Controversy and Lord Kames

It is a well-known fact that prior to the completion of *The Wealth of Nations* by Adam Smith in 1776, Hume and Tucker were engaged in controversy with each other, and that Lord Kames (Henry Home, 1696–1782) acted as the intermediary between the two antagonists.

Josiah Tucker (1712–99), the author of *Elements of Commerce and Theory of Tax* (1755), wrote to Lord Kames on 29 January 1757 and proposed to correspond with him on the various economic problems.¹⁾ According to Alexander Fraser Tytler, who wrote a biography of Lord Kames,²⁾ it was Foulis Brothers of Glasgow, the printers of some of Kames's works, who introduced Tucker to Kames. The author has not seen Tucker's letter in question, but both Noboru Kobayashi³⁾ and George Shelton⁴⁾ state that *Elements of Commerce* was a private edition and only a small number of (50–60) copies were printed,⁵⁾ of which only three exist today. As Tucker apparently sent a copy to a friend and asked his comment, we may assume that another copy was also sent to Kames. Then,

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1) Ross, I.S., *Lord Kames and the Scotland of His Day*, Oxford, 1972, p.184.

2) Tytler, A.F., *Memoirs of the Life and Writings of the Honourable Henry Home of Kames*, vol.II, 1807, p.4.

3) Kobayashi, N., *Works of Kobayashi Noboru on the History of Political Economy*, vol.4, 1977, Tokyo: Miraisha, p.31 note(29).

4) Shelton, G., *Dean Tucker and the Eighteenth-Century Economic and Political Thought*, Macmillan, 1981, p.89.

5) Hont states the number of copies were 100. Hont, I., "The 'rich country-poor country' debate in Scottish classical political economy," in *Wealth and Virtue*, Cambridge U.P., 1983, p.285.

Tucker wrote to Lord Kames on February 11 of the same year⁶⁾ with a request that Kames would solicit Hume's comment on his book. A letter dated March 28 of the year, sent to Kames, indicates that Kames sent the book to Hume.⁷⁾ The Hume-Tucker controversy thus started. It is said that they met, for the first time, sometime in 1760's, in France.⁸⁾

Kames not only introduced Tucker to Hume. He sent another copy of Tucker's treatise to Gilbert Elliot of Minto (1722–77; Elliot was a member of the House of Commons in 1754 and 1762–77). Furthermore, Lord Kames was a close friend of Benjamin Franklin⁹⁾ (1706–90). Taking these facts into consideration, we may say that he played a significant, if secondary, role in the formation of political economy in Britain at that time.

As to the Hume-Tucker controversy, Noboru Kobayashi studied it some thirty years ago and grasped it as essentially a "debate on monetary issues" arising from Hume's theory. He examined this controversy in the context of conflict between criticism and counter-criticism on mercantilism before the appearance of *The Wealth of Nations*, and concluded that it was consisted of four aspects or components of (1) Sir James Steuart's criticism against Hume and Arthur Young's criticism against Steuart, (2) Temple's subtle critique directed to Hume, (3) Harris's similarly subtle critique, and (4) Tucker's attack to Hume.¹⁰⁾

Recently, Istvan Hont saw the controversy as a part of "a distinct debate in the Eighteenth-century Scottish political economy about the relationship of rich and poor countries" (although Tucker was not Scottish). According to Hont, the debate was provoked by Hume's *Political Discourses* (1752), and came to an end with *Public Wealth* of Lauderdale (1804). Hont's paper is no more than a presentation of "only the bare outlines of this debate" and more is to be expected of him, but as he himself states, Hont is not unsuccessful to indicate "how crucial this debate was to the shaping of classical political economy in the Scottish Enlightenment".¹¹⁾

Kobayashi's view and that held by Hont are, of course, not mutually incompatible, but they are greatly different, particularly in that the latter is much more attentive to the Scottish contexts and to the vestiges of the civic tradition.

How, then, Lord Kames, as the originator of the debate between Hume and Tucker, was looking at the whole process of the controversy? It is certain that he received the copies of letter debates exchanged between the two antagonists, so he was quite familiar with their arguments. Moreover, he possibly know the salient points of Oswald's (James Oswald of Dunnikier, 1715–69) criticism on Hume, and in any event, Lord Kames's attitude toward the controversy can be seen in Book 1,

6) Ross, *op. cit.*, p.184.

7) Hont, *op. cit.*, p.285 note 40.

8) *Ibid.*, p.294.

9) Kames and Franklin were in contact with each other and corresponded on the matters of sciences and politics since they had met in Edinburgh in the year of 1759. Kames, like Hume and Smith, also discussed the American Problem basing on the informations issued from Franklin. Cf. Ross, *op. cit.*, pp.197–201, 340–1.

10) Kobayashi, *op. cit.*, pp.113–6. Kobayashi described minutely concerning this economic controversy in *The Formation Age of Political Economy*, Tokyo: Miraisha, 1961.

11) Hont, *op. cit.*, p.271.

Sketch 3 titled "Origin and Progress of Commerce", of his *Sketches of the History of Man* (1774).

Also, apart from his attitude toward the debate, what was his thought on political economy at large? How was his thinking on economy related to his ideas concerning politics and law? To these questions, W.C. Lehmann, who wrote a book on Lord Kames, answers as follows: "While Kames was perhaps more original in discussing the latter (economic theory) than the former (political theory), he did indeed give considerable attention to both, in their separate and distinctive character and in their relationship to one another."¹²⁾

The author said earlier that Lord Kames's role in the formation of political economy might be secondary or auxiliary, and this is the view held by I.S. Ross, who says: "Kames's share in the development of classical economics lay in being receptive to the ideas of Smith and Hume, commenting on them, and transmitting information and views from other scholars."¹³⁾ Yet, this may not necessarily so. The doctorate thesis of E.T. Merkel,¹⁴⁾ which is the only work done on the economic thought of Lord Kames now existing besides Lehmann's study, actually tries to prove the probability that Lord Kames had a significant influence on the development of Smith's theory of political economy.

In any event, Kames's economic theory and in particular his essay on tax, as it appeared in his *Sketches of the History of Man* in a rather casual manner, that is to say, as one of the topics among others, seem to have aroused some interest in his days. According to the research by Ross, the *Scots Magazine* of February 1774 published the introduction to *Sketches*, its index and excerpts from the essay on tax. In London, the *Gentleman's Magazine* publicized the article in the following May and at about the same time, a favourable comment on Kames's work was written by William Rose and it appeared in the *Monthly Review*. Lauderdale, the author of the *Public Wealth*, in his letter dated 19 March and addressed to Lord Kames, extolled the book in the following terms: "It is a 'rara Avis in terris' — There is more knowledge and ingenuity in it in print than in any Book yet wrote — I am sure the Performance is an honour to our Country — I cannot help congratulating you upon it ... You have swept away a deal of the antient and modern Cobwebs and established, in thier Room, Common sence. That part relative to the Finances ought to be read [at] the beginning of every Session to the House of Commons, in Place of their nonsense of Resolutions."¹⁵⁾

The biographer of Kames, Tytler, pointed out that the essay on tax was indeed a remarkable work, that Kames's criticism concerning the balance of trade was similar to Smith's theory, and said that his plea for the provisions for the maintenance of the poor was most noteworthy.¹⁶⁾

These facts present us a challenge as to the understanding of Lord Kames's economic thoughts. Above all, we need to make clear the ideas of Kames concerning the main themes in Hume-Tucker

12) Lehmann, W.C., *Henry Home, Lord Kames, and the Scottish Enlightenment*, The Hague, 1971, p.225.

13) Ross, *op. cit.*, p.184.

14) Merkel, E.T., *Henry Home of Kames as Predecessor to Adam Smith*, Northern Illinois University, Ph.D., 1974.

15) Ross, *op. cit.*, p.344.

16) Tytler, *op. cit.*, Vol.II, p.115, 118, 120.

controversy, i.e., the relationships of money, balance of trade and the relationship between rich and poor countries, and to analyze his economic thought especially with regard to his theory on taxation and need to help the poor. In particular, we see that those issues are treated in Sketch 3 of Book 1, titled "Origin and Progress of Commerce", Sketch 8 of Book 2 titled "Finances", and in Sketch 10 of the same Book titled "Public Police with respect to the Poor".

Therefore, it is obviously quite insufficient, as Merkel did, to confine the analysis only to Lord Kames's theory of value and of taxation. However, to expand the scope of analysis to include merely these three Sketches does not seem satisfactory, either. To make a truly meaningful analysis of Kames's thoughts on economy, it is necessary to take a wider view and examine more writings.

W.C. Lehmann, who devoted a chapter of his book to Kames's "Political and Economic Theory", does not go beyond "to state the highlights of Kames's position on a number of problems of economic theory". He could not deal with "the larger question of the extent of the originality of his thoughts or of his dependence upon the work of his predecessors". He left this task to successors, saying that it was an issue of sufficient importance and of interest to justify the careful study by those experts of the history of political economy in future.¹⁷⁾ Although Merkel made a step to this direction, his scope of vision was too narrow, and all he did was to search for the originator of Smith's theory of value and taxation.

What needs to be done, therefore, is to understand the state of economic thoughts prior to the publication of *The Wealth of Nations*, and to find out to what extent these thoughts were known, and in what form, to Lord Kames. Therefore, it is necessary to take into consideration not only those three Sketches already mentioned, but other Sketches of the same author, such as Sketch 1 (Progress of Food and Population), Sketch 2 (Progress of Property), the first part of Sketch 4 (Origin and Progress of Arts) titled "Useful Arts" and Sketch 7, (Progress and Effects of Luxury), all in Book 1, as well as Sketch 11 in Book 2 titled "A Great City Considered in Physical, Moral and Political View".

Such a study, however, would be considerably long. As it is, in the present paper, the author intends to confine the study, in a way similar to the approach adopted by Lehmann, mainly to two of the Sketches of *Sketches of the History of Man* titled "Progress of Food and Population" and "Origin and Progress of Commerce". Although references to other Sketches may occasionally be made, the study of the most important part of the writings of Lord Kames, i.e., essays on "Finances" and "Public Police with respect to the Poor" will have to be left for the future analysis.

II Development of the Way of Subsistence and Climates

The publication of *Sketches of the History of Man* in 1774 preceded that of *The Wealth of Nations*, but it was later than the publication of Ferguson's *History of Civil Society* (1767) and that of Millar's *Origin of the Distinction of Ranks* (1771). Views held by these authors regarding history of civilized society were quite similar in substance, and this is why they were collectively called "Scottish Historical School" once. It is not clear who, among them, had come to the idea of studying the historical process of social development first. Lord Kames, born in 1698, was 13 years older than Hume, but

17) Lehmann, *op. cit.*, p.269 and note.

the latter started to write earlier, and it is likely that Lord Kames was merely following Hume's footsteps in his approach to the study of the history of society. It was on 23 February 1774 when Lord Kames wrote in the preface of *Sketches*: "Above thirty years ago, he began to collect materials for a natural history of man", that is to say, during the first half of 1740's. Then, Hume was already the author both of *Treatise on Human Nature* (1739–40) and *Essays, Moral and Political* (1741–42). If we were to take a sympathetic attitude toward Kames, we might say that he and Hume were strongly influenced by Montesquieu's *L'Esprit des Lois* (1748) and they started to deeper their ideas of history of society more or less concurrently.

As Ross presumes,¹⁸⁾ it is quite probable that Lord Kames got a strong stimulus from Buffon's *Histoire naturelle, générale et particulière* (44 Vols. 1744–1804), whose first volume appeared in 1744. He was particularly interested in the process of self-adaptation of plants and animals to diverse climates or environments (multiplications and digressions). He was, among other things, opposed to the idea of Monboddo who considered orang-outang as the ancestor of man, and that homo sapiens and anthoropoids came from a common origin. The introductory chapter titled "Preliminary Discourse concerning the Origin of Men and Languages" in *Sketches of the History of Man* constitutes an interesting theory in the context of the development of anthropology at that time.¹⁹⁾

(1) Hunting, Shepherd State and Agriculture – Development of the Way of Subsistence.

The first Sketch titled "Progress of Food and Population", begins as follows: "In temperate climes, men fed originally on fruits that grow without culture, and on the flesh of land-animals. As such animals become shy when often hunted, there is a contrivance of nature, no less simple than effectual, which engages men to bear with chearfulness the fatigues of hunting, and the uncertainty of capture; and that is, an appetite for hunting."²⁰⁾ And "it is an illustrious instance of providential care, to adapt the internal constitution of man to his external circumstances".²¹⁾ It should be noted that an appeal to "Providence" can be seen from the start. It is a refrain which persistently repeats itself, characterizing Kames's writings and serving as the principal leitmotif.

Kames was deeply interested in the process in which man's "internal constitution" adapts itself to the external circumstances or environment, and he even went as far as to state: "It would be an agreeable undertaking, to collect all the instances."²²⁾ As was indicated in the beginning of this paper, it was the principal theme which Kames pursued in his *Sketches*, as he was under the influence of Buffon, in order to trace the history of progress (evolution) of human beings by using examples of self-adaptation. Yet, as we shall see later, his book does not necessarily show the congenial optimism, even if his basic frame of thought was considerably in accord with Rousseau who was deeply critical to the civilization.

According to Kames, man started to eat fish only as he could not find land animals to catch.

18) Ross, *op. cit.*, p.333.

19) Concerning the outline of the whole of *Sketches*, see Ross, *op. cit.*, chap. 17.

20) Kames, *Sketches of the History of Man*, 2nd ed., 1778, vol.I, p.85.

21) *Ibid.*, p.86.

22) *Ibid.*, note.

It is not true, as anthropologists say, to think that acorns, nuts and other shell-fruits used to be the only food available to the people at the beginning, as wheat, rice and barley were all there, growing naturally. "In the country about Mount Tabor in Palestine, barley and oats grow spontaneously,"²³⁾ and one can still find everywhere these and other wild crops growing up by themselves.

"Plenty of food procured by hunting and fishing, promotes population: but as consumption of food increases with population, wild animals, sorely persecuted, become not only more rare but more shy."²⁴⁾ Men, unable to get sufficient food, then start to tame the wild fawns and kinds, and this marks the beginning of the shepherd-state, but the complete domestication of animals does not ensure quickly. "Hunting and fishing continue for a long time favourite occupations; and the few animals that are domesticated, serve as a common stock to be distributed among individuals, according to their wants. But as the idle and indolent, tho' the least deserving, are thus the greatest consumers of the common stock, an improvement crept in that every family should rear a stock for themselves. Men by that means being taught to rely on their own industry, display'd the hoarding-principle, which multiplied flocks and herds exceedingly."²⁵⁾ Thus, the shepherd-state society comes into existence. Kames saw "the finger of God" in the fact that men were endowed with animals to ensure their subsistence.

How then human being moves from there to form the agricultural society? Kames thinks it was due to the population pressure. The animal raising can bring about the abundant food, and as the result, the population increases rapidly. The pasture ground becomes insufficient, and the neighbouring tribes then start to fight with each other to gain territory, or else, they chose to migrate elsewhere in search of the unoccupied land space. "Necessity, the mother of invention, suggested agriculture". People conceive the idea of multiplying wild crops by "Art". To that end, Nature guided man. Since land was the common property, the sowing and stocking of crops were collective undertakings, and the harvested output was to be distributed to all according to their needs. It was the division of land ownership which led to the agricultural development. "A lasting division of the land among the members of the state, securing to each man the product of his own skill and labour, was a great spur to industry, and multiplied food exceedingly. Population made a rapid progress, and government became an art; for agriculture and commerce cannot flourish without salutary laws."²⁶⁾

Thus, having seen the development of agriculture as the process of catch-up game between the growing population and the availability of food (hunting-animal raising-agriculture), Kames proceeds to make a fairly detailed analysis in the following part of this Sketch on (2) the relationship between cultivation and climate, (3) the factors causing the population density to such a degree, and these which contribute to the high population density, and (4) the factors contributing to the de-population.

23) *Ibid.*, p.90 note.

24) *Ibid.*, p.90.

25) *Ibid.*, p.91.

26) *Ibid.*, pp.93-4.

(2) Agriculture and Climate

The development of agriculture is closely dependent on the climate and natural environment. The fruits growing in the mild zones ripen much earlier than they do in the cold regions. This is why the agriculture first became an Art in the temperate regions, and why places like Greece, Egypt, Assiria or Babylon thrived so much on abundant cereal production early in history. As in the northern Europe, cereals were not autogenous, the introduction of agriculture was a slow one there. "Even at present, it requires no small portion both of skill and industry to bring corn to maturity in such a climate."²⁷⁾ For this reason, the shepherd-state seems to have continued longer in the northern climates. Yet, these cold regions were more favourable to the population growth, and it increased at a speed greater than the pace of food supply. This explains the extensive migration from the northern countries. Their frequent invasions had long been a deadly calamity to the neighbouring people. The migration stopped, but the northern European nations have never been more populous as they are today, and this is because agriculture and commerce put an end to the fearful invasions once for all. Thus, according to Lord Kames, Montesquieu, who thought that the military power of Romans alone had been the main deterrent to the invasion of the northern tribes, did not realize the reality. "It has quite escaped him, that men cannot, like water, be damm'd up without being fed."²⁸⁾

Agriculture is a tremendous blessing, and it was the most effective barrier to check the invasion. "Happy it is for Europe, that this art, now universally diffused, has put an end for ever to that scourge more destructive than a pestilence."²⁹⁾ Even if Kames were a staunch believer in agriculture, in a sense different from what physiocrats advocated, we can understand he held such a view, and as we saw earlier, it is remarkable that he thought the hunger, or the pressure coming out of excessive population, as the driving force to cause people to shift from hunters to shepherds and then to husbandmen.

According to Lord Kames, in considering "the prevailing influence of custom", "once hunters, men will always be hunters, till they be forc'd out of that state by some overpowering cause". Kames thinks that the hunger, a drastic force, is the real cause for the transition, rather than the maturing of human nature as Smith and Millar considered. Kames was 25 years savior to Smith. This suggests the difference of experiences between old generation and young one. This would mean that he belonged to the generation which preceded that of Smith and saw deep poverty of Scotland and other calamities, and for that reason, it is probable that his opinion differed from Smith's and from that held by Hume. "Hunger, the cause here assigned is of all the most overpowering; and the same cause, overcoming indolence and idleness, has introduced manufactures, commerce, and variety of arts."³⁰⁾ Such a perception necessarily influences on his view of human nature, and it explains why Kames never wished to forsake God.

In the temperate regions, the progress takes place evenly and without interruption, but it is not so in the cold regions. The shift to agriculture presents little problems in tropics, while in the north-

27) *Ibid.*, pp.94-5.

28) *Ibid.*, p.96 note.

29) *Ibid.*, p.97.

30) *Ibid.*, p.98.

ern countries the progress tends to be stalled at the stage of shepherds. The situation is not same in America, however, and Lord Kames tries to explain why this is so in Sketch 12 of Book 2, "Origin and Progress of American Nations". This particular Sketch is therefore an additional comments, and some of the arguments there are those already referred. Yet, it is interesting to see Kames saying that in America, men jumped over the stage of shepherds from hunting to agriculture.³¹⁾

Now, what was his opinion as to the causes of fluctuation of population?

III Demographic Changes

(3) Factors Contributing to Increase Population Density.

The abundance of food is the primary cause for the increase of population. "The southern provinces of China produce two crops of rice in a year, sometimes three; and an acre well cultivated gives food to ten persons. The peasants go almost naked; and the better sort wear but a single garment made of cotton, of which as much is produced upon an acre as may clothe four or five hundred. Hence the extreme populousness of China and other rice countries."³²⁾ It is not the case in Europe. "It would require wonderful skill and labour to make Europe so populous: an acre and a half of wheat is barely sufficient to maintain a single family of peasants; and their cloathing requires many acres more."³³⁾ On the other hand, the population density tends to be very low in these areas where hunting is the main source of food supply. Ten to twenty thousand acres would barely be sufficient to feed only a family.

The question of whether homo sapiens descended from a single or plural ancestry put apart, "it appears the intention of Providence, that the earth should be peopled, and population be kept up by ordinary means of procreation."³⁴⁾ In a society where people owe their subsistence to hunting and fishing, the procreation results without delay in overpopulation, and this will be true also in the shepherd-state. On the contrary, the population seldom becomes excessive in the agricultural societies because they can easily increase the food supply to meet the growth of population.

In this sense, the protection of agriculture encourages the population increase. Lord Kames argues that the bounty given in Britain for exporting corn serves to population increase for two reasons: first, because husbandry requires many hands, and secondly, because the bounty lowers the price of corn at home. The situation will be opposite in case of giving a bounty for the export of cattle, since pastures require little labour, and exportation will raise the price of cattle at home. These arguments, while involving the causes of population increase or decrease only, are in direct opposition to those of Adam Smith.³⁵⁾

No manufacture, Kames says, contributes more to population than that of silk, because it employs as many hands as wool, and it does not take lands away from other uses such tillage or pasture.

31) *Ibid.*, Vol.III, p.154.

32) *Ibid.*, Vol.I, p.105.

33) *Ibid.*, p.106.

34) *Ibid.*, p.107.

35) Adam Smith, *The Wealth of Nations*, Oxford, 1976, vol.I, pp.524-43.

(4) Facts Causing Decrease of Population

Lord Kames thought that the main reasons for population decrease are (i) inequality (and cookery), (ii) orphanage, (iii) luxury, (iv) despotism and (v) overflowing of money.

(i) "The latter [population] follows not with greater certainty from equality of property, than the former [depopulation] from inequality. In every great state, where the people by prosperity and opulence are sunk into voluptuousness, we hear daily complaints of depopulation. Cookery depopulates like a pestilence; because when it becomes an art, it brings within the compass of one stomach what is sufficient for ten in days of temperance; and is so far worse than a pestilence, that the people never recruit again."³⁶⁾ British and French tend to overeat. "Remedies are proposed and put in practice, celibacy disgraced, marriage encouraged, and rewards given for a numerous offspring. All in vain!"³⁷⁾ What can be done? "The only effectual remedies are to encourage husbandry, and to repress luxury. Olivares hoped to repeople Spain by encouraging matrimony. Abderam, a Mohometan King of Cordova, was a better politician. By encouraging industry and procuring plenty of food, he repopulated his kingdom in less than thirty years."³⁸⁾

(ii) Kames's comment on the orphanage is terrific. "A founding-hospital is a greater enemy to population, than liberty to expose infants, in such hospitals, thousands perish yearly beyond the ordinary proportion; whereas few infants perish by the liberty of exposing them, parental affection prevailing commonly over the distress of poverty. And, upon the whole, population gains more by that liberty than it loses."³⁹⁾

(iii) Luxury is a mortal enemy to population because it takes food away from the industrious and weakens the power of procreation. Indolence accompanies voluptuousness, and women of high standing do not do any physical efforts. "A woman enervated by indolence and intemperance, is ill qualified for the severe labour of childbearing. Hence it is, that people of rank, where luxury prevails, are not prolific. This infirmity not only prevents population, but increases luxury by accumulating wealth among a few blood-relations. A barren woman among the labouring poor, is a wonder. Could women of rank be persuaded to make a trial, they would find more self-enjoyment in temperance and exercise, than in the most refined luxury; and would have no cause to envy others the blessing of numerous and healthy offspring."⁴⁰⁾ Lord Kames was deeply interested in the education of women, and he made a number of proposals to improve it,⁴¹⁾ and the above statement may be taken as one of them. In a later Sketch titled "Progress and Effects of Luxury", he emphatically warns that luxury impoverishes the country and diminishes the population.⁴²⁾

(iv) But even worse than luxury is the autocracy and despotism. "Luxury is not a greater enemy to population by enervating men and women, than despotism is by reducing them to slavery,

36) *Sketches*, Vol.I, p.112.

37) *Ibid.*, p.112.

38) *Ibid.*, p.113.

39) *Ibid.*, p.113 note.

40) *Ibid.*, pp.113-4.

41) Cf. Lehmann, *op. cit.*, pp.245-52, 309-13.

42) *Sketches*, Vol.II, pp.148-9.

and destroying industry. Despotism is greater enemy to the human species than an Egyptian plague; Free states, on the contrary, are always populous: a man who is happy, longs for children to make them also happy; and industry enables him to accomplish his purpose."⁴³⁾

(v) To Kames, large circulation of money is another cause of depopulation. "In a nation that grows rich by commerce, the price of labour increases with the quantity of circulating coin, which of course raises the price of manufactures; and manufacturers who cannot find a vent for their high-rated goods in foreign markets, must give over business and commence beggars, or retire to another country where they may have prospect of success."⁴⁴⁾ Fortunately, something can be done in this case. "Land is cultivated to greater perfection by the spade than by the plough; and the more plentiful crops produced by the former, are fully sufficient to defray the additional expence. This is a resource for employing those who cannot make bread as manufacturers; and deserves well the attention of the legislature. The advantage of the spade is conspicuous with respect to war; it provides a multitude of robust men for recruiting the army; the want of whom may be supplied by the plough, till they return in peace to their former occupation."⁴⁵⁾ It is extremely difficult to see how and to what extent these arguments reflect the influences of Hume, Wallace, Steuart and Montesquieu with regard to their opinions over population. At the first glance, Lord Kames's thinking seems to be different from that of Hume, but it does resemble somewhat to that of Steuart. Ross states, "Like others, Kames seems to have ignored Steuart's book",⁴⁶⁾ but it is hard to think that Lord Kames, always known to have been a man full of curiosity, was indifferent to Steuart's *Principles* which had been published in London many years before. As Lehmann says,⁴⁷⁾ Lord Kames was alert enough to know about several books on political economy published in Britain and in France, such as Hume's *Essays*, Tucker's works, Steuart's *Principles*, writings of Physiocrats and French Economists. It would be reasonable to think that at least he was not unfamiliar with them.

On the other hand, it is clear that Lord Kames was against Hume, who took a positive view of luxury, saying that it promotes the division and development of the agriculture and the industry. He was against Steuart as well, as the latter thought that the luxury creates the demand and increases the production. It is known that Kames later came to a conclusion that the increase of money in circulation stimulates the economy, as it creates a sort of effective demand, but still, he was on the whole a lot more of a moralist compared to Hume or Steuart, with a strong commitment to the civic tradition. Also, the resemblance of his views to those of Steuart is only a relative one, and we should say that on the whole, Kames's ideas seen in his first Sketch are rather unique of him.

IV Commerce and Standard of Value

In the first stage of human society, barter is a sufficient means of satisfying the modest wants of

43) *Ibid.*, Vol.I, p.114.

44) *Ibid.*, p.115.

45) *Ibid.*, p.115.

46) Ross, *op. cit.*, p.183.

47) Lehmann, *op. cit.*, p.256.

people. The savages had no idea of equivalence in exchange, and the kinds or quantity of goods were extremely limited. Therefore, the growth of population and the increase of wants made the barterers quite deficient. "Barter is somewhat enlarged by covenants: a bushel of wheat is delivered to me, upon my promising an equivalent at future time."⁴⁸⁾ However, the exchange of goods is not possible if one does not have the equivalent article which the other party wants, or if he is not trusted by the other party, and the covenant therefore cannot overcome the deficiency. "The numberless wants of men cannot readily be supplied, without some commodity in general estimation, that will be gladly accepted in exchange for every other."⁴⁹⁾ Then come gold and silver, which can fill up the void. They are not voluminous, and they need little effort to keep. Moreover, their value does not diminish over time. They are perfectly homogenous regardless of where they came from, as such, a given quantity of pure gold or silver is always equivalent to the same quantity of pure gold or silver. These metals can be broken into the smaller units, most convenient for trade.

When gold and silver were introduced into commerce, they were bartered as goods, just like other commodities. However, men soon realized that by measuring weight of these metals, a high degree of accuracy could be attained in the transaction of gold and silver, but they can easily be mixed with the inferior metals and therefore the weight alone is of no guarantee for their absolute value. To prevent fraud, men thought of the stamping on pieces of gold and silver. These were then called coins. It was a remarkable improvement in commerce, but not without a problem, in that coins wear out in circulation. Thus, the public stamps are no longer sufficient as guarantee, as its effect was limited to that of purity. It was necessary to revert to the old practice of weighing coin and securing their purity. This is quite troublesome in the actual trade. People then found paper money as the unique solution to all these problems. It was practical, and moreover, the loss of value due to wear and tear can easily be avoided.

Lord Kames explained in this way why money became necessary, but he rejected the labour theory of value as the basis of measure of exchange, saying: "As commerce cannot be carried on to any extent without a standard for comparing goods of different kinds, and as every commercial country is possessed of such a standard, it seems difficult to say by what means the standard has been established."⁵⁰⁾ It is clear that the standard is not based on the nature. Can there be any common measure to compare value of wheat and that of cloth? "Several ingenious writers have endeavoured to account for the comparative value of commodities, by reducing them all to the labour employ'd in raising food; which labour is said to be a standard for measuring the value of all other labour, and consequently of all things produced by labour."⁵¹⁾

This labour theory of value is refuted by Kames as inconsistent in many respects. First, a brass candlestick takes as much labour as that necessary to make a silver one, but their values are far from the same. The value of labour certainly comes into the value of product, but labour does not represent the whole value of the product. Secondly, this standard assumes every type of labour to be

48) *Sketches*, Vol.I, p.128.

49) *Ibid.*, p.128.

50) *Ibid.*, p.131.

51) *Ibid.*, p.132.

equivalent, but this assumption is hardly tenable. "The few who are skilful will justly demand more for their labour than the common rate. An expert husbandman bestows no more labour in raising a hundred bushels of wheat, than his ignorant neighbour in raising fifty: if labour be the only standard, the two crops ought to afford the same price."⁵²⁾ Finally, this measure can only be applied to those goods which require labour. Can there be any measure suitable for evaluating in the same way the natural fruits or something others which require no labour?

Having thus rejected the labour theory of value, Lord Kames goes on to say that he does not accept Montesquieu's theory in which the mechanical quantity of money is the determinant of price. "Montesquieu attempts to account for the price as follows. He begins with supposing, that there is but one commodity in commerce, divisible like gold and silver into parts, the parts like those of gold and silver uniform and equally perfect. Upon that supposition, the price, says he, of the whole commodity collected into a mass, will be the whole current gold and silver; and the price of any particular quantity of the former, will be the corresponding quantity of the latter, the tenth or twentieth part of the one corresponding to the tenth or twentieth part of the other. He goes on to apply the same computation to all the variety of goods in commerce; and concludes in general, that as the whole mass of goods in commerce corresponds to the whole mass of gold and silver in commerce as its price, so the price of the tenth or twentieth part of the former will be the tenth or twentieth part of the latter."⁵³⁾ The mechanical quantity theory of money was taken over by Hume and became one of the basic premises of classical economists. Kames, however, says: "According to this computation, all different goods must give the same price, or which is the same be of equal value, provided their weight or measure be the same."⁵⁴⁾ To him, therefore, the theory is a pure nonsense.

His opinions and views summarized so far may not be perfectly clear and well thought of, but they sufficiently show that he was against both paradigms of the classical labour theory of value and the mechanical quantity theory of money. Kames thinks that the value or price is determined by the demand, saying "it is the demand chiefly which fixed the value of every commodity. Quantity beyond the demand renders even necessities of no value; of which water is an instance. It may be held accordingly as a general rule, that the value of goods in commerce depends on a demand beyond what their quantity can satisfy; and rises in proportion to the excess of the demand above the quantity."⁵⁵⁾ This statement is of special interest, as we may say—as Merkel did⁵⁶⁾—that the idea expressed here is not too far away from the concept of marginal utility. Kames continues: "Were utility or intrinsic value only to be considered, a pound of iron would be worth ten pounds of gold; but as the excess of the demand for gold above its quantity is much greater than that of iron, the latter is of less value in the market. Thus, in general, the excess of the demand above the quantity is the standard that chiefly fixes the mercantile value of commodities."⁵⁷⁾

52) *Ibid.*, p.133.

53) *Ibid.*, pp.134–5. Cf. Montesquieu, *Esprit des Lois*, Liv. 22, ch. 7, Garnier, 1973, Vol.2, p.72.

54) *Sketches*, Vol.I, p.135.

55) *Ibid.*, pp.135–6.

56) Cf. Merkel, *op. cit.*, pp.25–33, esp. p.32, 29.

57) *Sketches*, Vol.I, pp.136–7.

Then, what determines the magnitude of demand? Kames says that it is not easy to find what creates a given size of demand. In every country, the demand for necessities clearly depends on the number of its inhabitants, but this may not necessarily apply to the goods of convenience, because some people may not want them so much as others do. Demands for the luxurious goods and those which are to satisfy the tastes of some people are arbitrary. This classification of goods in three categories is interesting, and although Kames does not elaborate on it, the idea reminds us that the prices of articles vary depending on whether they are necessities, conveniences, or luxuries (even if the principle of value itself is the same).

According to Kames, the way how the value of gold and silver is determined is different from the case of other goods. The value of gold and silver, in the beginning of circulation was arbitrarily set and variable, just like any other product, but in due course they ended up in finding their own value. However, "With respect to value, there is a great difference between money and other commodities". While the value of other goods depends on the balance of demand and supply, the availability of gold and silver is so limited in quantity, whereas the demand is unbounded. Therefore, Kames thinks that the quantity alone determines the value of gold and silver. "Gold and silver, being thus sooner fixed in their value than other commodities, become a standard for valuing every other commodity, and consequently for comparative values."⁵⁸⁾ The measure of values is indispensable to trade, and where gold and silver are not known other standards are established in practice.

All these discussions, however, were not the main issue of the third Sketch.

V Effects of Fluctuation of the Quantity of Money in Circulation

Kames said that in the third Sketch, "my chief view..... is, to examine how far industry and commerce are affected by the quantity of circulating coin."⁵⁹⁾ This issue was exactly what constituted the core of the monetary and economic debates started from Hume's *Political Discourses* (1752). It represented the watershed between the mercantilist paradigm and that of classical political economy. Lord Kames's argument on this issue shows how he understood and responded to the controversy between Hume and Tucker.

"Supposing, first, the quantity of money in circulation and the quantity of goods in the market, to continue the same, the price will rise and fall with the demand The price of fish, flesh, butter and cheese, is much higher than formerly; for these being now the daily food even of the lowest people, the demand for them is greatly increased."⁶⁰⁾

If we assume that the quantity of goods is the only variable, the prices should fall as the quantity of goods increases, and vice versa. In other words, "the price is directly as the demand, and inversely as quantity."⁶¹⁾ "The manufactures of wool, flax, and metals are much cheaper than formerly; for though the demand has increased, yet by skill and industry the quantities produced have in-

58) *Ibid.*, p.139.

59) *Ibid.*, p.140.

60) *Ibid.*, p.140.

61) *Ibid.*, p.142.

creased in a greater proportion.”⁶²⁾

Fluctuation of the quantity of money in circulation is “the most intricate circumstance.” Now, “I put a simple case, that the half of our current coin is at once swept away by some extraordinary accident. This at first will embarrass our internal commerce, as the vender will insist for the usual price, which now cannot be afforded. But the error of such demand will soon be discovered; and the price of commodities, after some fluctuation, will settle at the one half of what it was formerly.”⁶³⁾ In such a case, there is no decrease in the value of goods. “Put next the case, that by some accident our coin is instantly doubled: the result must be, not instantaneous indeed, to double the price of commodities.”⁶⁴⁾ In this case also, though the price goes up, there is no substantial variation in the value of goods either.

Based on these preceding considerations it is possible to know exactly “how industry and commerce are affected by variations in the quantity of circulating coin”. Without money, arts and manufactures cannot be made any progress. “Commerce among an endless number of individuals, who depend on each other even for necessities, would be inextricable without a quantity of circulating coin. Money may be justly conceived to be the oil, that lubricates all the springs and wheels of a great machine, and preserves it in motion.”⁶⁵⁾

Therefore, the quantity of money in circulation can be said to be sufficient if it can meet all payments to be made for the purchase of goods and for the labour. If, on the contrary, people fall into debt in spite of the fact that they have been doing the lucrative business in a prudent manner, then it is a clear indication that money is scarce, and this occurred often in Scotland.

This argument of Kames on money resembles that of Hume and he goes on to say thus. “Supposing us now to be provided with no more of that precious oil than is barely sufficient for the easy motion of our industry and manufactures, a diminution of the necessary quantity must retard them: our industry and manufactures must decay; and if we do not confine the expence of living to our present circumstances, which seldom happens, the balance of trade with foreign nations will turn against us, and leave us no resource for making the balance equal but to export our gold and silver. And when we are drained of these metals, farewell to arts and manufactures: we shall be reduced to the condition of savages, which is, that each individual must depend entirely on his own labour for procuring every necessary of life.”⁶⁶⁾

Kames’s perception in this respect reminds us of Steuart’s concept of the necessary quantity of money in circulation. We know that Lord Kames did not share Smith’s optimistic idea of the historical progress. He clearly attaches much importance to keeping the standard of living at the level suited to the economic conditions of the country, and this makes him to state: “The consequences of the balance turning for us, are at first directly opposite: but at the long-run come to be the same”.

62) *Ibid.*, p.141.

63) *Ibid.*, p.142.

64) *Ibid.*, p.143.

65) *Ibid.*, p.144–5.

66) *Ibid.*, p.145–6.

An influx of wealth resulting from a positive balance stimulates our activity. Plenty of money heightens our spirits and inspires the desire for enjoyment. "Plenty of money is a prevailing motive even with the most sedate, to exert themselves in building, in husbandry, in manufactures, and in other solid improvements."⁶⁷⁾ As the prices of products go up because of the additional demand, wages rise also. Labourers are no longer content with mere necessities. They now want to buy articles of convenience, and their price goes up in turns. "In short, increase of money raises the price of every commodity; partly from the greater quantity of money, and partly from the additional demand for supplying artificial wants. Hitherto a delightful view of prosperous commerce: but behold the remote consequences. High wages at first promote industry, and double the quantity of labour: but the utmost exertion of labour is limited within certain bounds; and a perpetual influx of gold and silver will not for ever be attended with a proportional quantity of work: The price of labour will rise in proportion to the quantity of money; but the produce will not rise in the same proportion; and for that reason our manufactures will be dearer than formerly. Hence dismal scene. The high price at home of our manufactures will exclude us from foreign markets; And what is still more dismal, we shall be deprived even of our own markets; for in spite of the utmost vigilance, foreign commodities, cheaper than our own, will be poured in upon us. The last scene is to be deprived of our gold and silver, and reduced to the same miserable state as if the balance had been against us from the beginning."⁶⁸⁾

It goes without saying that this opinion bears a close resemblance to Hume's famous argument of the quantity-theory specie-flow doctrine consisting of the theory of automatically adjusting mechanism of specie and the theory of continuous influence of influx of money.

Lord Kames yet says there are exceptions to this. In some countries, money is abundant, yet labour and manufactured goods are cheap, such as the basin of Ganges. As the political writers say, one of the reasons might be that Nabobs accumulate money and withdraw it from circulation, but this does not explain everything. There, the main articles of exportation are manufactured goods, and their prices are low partly because "an acre of rice yields more food than five acres of wheat", and "rice is the food of their labouring poor". Still, the availability of necessities at low price is not enough to keep the value of labour constantly at a low level. This is because of the populousness or the dense population. "Superfluity of hands overbalancing both the quantity of money and the demand for their manufactures, serves to keep the price extremely low."⁶⁹⁾

This is why the exceptions occur: "It holds undoubtedly in Europe, and in every country where there is work for all the people, that an addition to the circulating coin raises the price of labour and of manufactures: but such addition has no sensible effect in a country where there is superfluity of hands, who are always disposed to work when they find employment."⁷⁰⁾ Lord Kames emphasizes that "a superfluity of hands" is an essential prerequisite to make manufactures prosper in those countries where gold and silver are abundantly supplied. Spain declined simply because she was deficient

67) *Ibid.*, p.146.

68) *Ibid.*, pp.146-8.

69) *Ibid.*, p.149. A similar description can be seen in *The Wealth of Nations* (Vol.I, pp.223-4).

70) *Sketches*, Vol.I, pp.149-50.

in this condition.

Therefore, the case of Spain tells us that "the exportation of our silver coin to the East indies, so loudly exclaim'd against by shallow politicians, is to us, on the contrary, a most substantial blessing: it keeps up the value of silver, and consequently lessens the value of labour and of goods, which enables us to maintain our place in foreign markets."⁷¹⁾ The free trade with East Indies is beneficial to Britain.

People are so ignorant that they cannot accept the necessary linkage of cause and effect. Trading nations are anxious to realize the positive trade balance but it is, in the end, destructive. "It appears the intention of Providence, that all nations should benefit by commerce as by sunshine; and it is so ordered, that an unequal balance is prejudicial to the gainers as well as to the losers: the latter are immediate sufferers; but no less so ultimately are the former. This is one remarkable instance, among many, of providential wisdom in conducting human affairs, independent of the will of man, and frequently against his will."⁷²⁾ These ambitious nations whose locations are advantageous for trade will try to monopolize everything and reduce their neighbours to woodcutters or water drawers. However, such ambition always face an unsurmountable obstacle. Here, Lord Kames goes beyond David Hume and his argument is now closer to that of Smith, or conflict with the view of Tucker who maintained that the advanced countries could perpetuate their predominance forever. "The commercial balance held by the hand of Providence, is never permitted to preponderate much to one side; and every nation partakes, or may partake, of all the comforts of life. Engrossing is bad policy: men are prompted, both by interest and duty, to second the plan of Providence; and to preserve, as near as possible, equality in the balance of trade."⁷³⁾

VI Dependence on Hume and Opposition to Him

From the above analysis, it may be said that Lord Kames's view of economy or commerce is not too far from that of the classical economists. We can tentatively conclude that he supported the same theory of free trade as advocated by Hume and Smith. Yet, Smith's theory, like that of Tucker, differs from Lord Kames's to the extent that they believed the advanced nations could maintain their superiority in industry and commerce forever. On the whole, the dependence on Hume seems to be characteristic of Kames's view. Unlike Hume, however, Kames thought it possible to keep the quantity of currency at a proper level. He says it is worthwhile to watch carefully the records kept by the foreign mint offices in order to avoid the superfluous currency exceeding that of the neighbouring countries, or to eliminate the excessive money by accumulating it as the treasury reserve. "A great sum lock'd by up a frugal king, Henry VII. of England for example, lessens the quantity of money in circulation: profusion in a successor which was the case with Henry VIII. is a spur to industry, similar to the influx of gold and silver from the new world."⁷⁴⁾ Here, we encounter once again

71) *Ibid.*, p.151-2.

72) *Ibid.*, p.153.

73) *Ibid.*, p.154.

74) *Ibid.*, pp.155-6.

with Humean or mercantilist pattern of thinking utilizing the inflational effect of stimulating the industry or commerce by the increase of the quantity of money, but fundamentally Lord Kames neither emphasized this viewpoint, nor advocated such a policy.

Instead, we should probably think that Kames's main characteristic is shown in his comments on the canton Bern as follows: "The canton of Bern, by locking up money in its treasury, possesses the miraculous art of reconciling immense wealth with frugality and cheap labour. A climate not kindly, and a soil not naturally fertile, enured the inhabitants to temperance and to virtue. Patriotism is their ruling passion; they consider themselves as children of the republic; are fond of serving their mother; and hold themselves sufficiently recompensed by the privilege of serving her. The public revenue greatly exceeds the expence of government: they carefully lock up the surplus for purchasing land when a proper opportunity offers; which is a shining proof of their disinterestedness as well as of their wisdom. By that politic measure, much more than by war, the canton of Bern, from a very slender origin, is now far superior to any of the other cantons in extent of territory. But in what other part of the globe are there to be found ministers of state, moderate and disinterested like the citizens of Bern!"⁷⁵⁾ This is nothing but the voice of a civic humanist. Lord Kames uses the Bernese case to criticize the British ministry or administrators. The huge treasure will disappear overnight under their custody, and worse is to come from the increase of currency in circulation above the desirable level. This criticism is directed to the currency, public credit, and war politics taken after the Glorious Revolution, especially by the Walpole Ministry and Whig Establishment (Court Whigs). It is difficult to specify more precisely to whom the attack was directed. Of even greater importance to Kames, however, was the concern that if the "ambitious king" – meaning George III – assumed the political leadership, freedom would be in danger.

Would it be sufficient, then, to keep the currency supply at a proper level? Lord Kames supports the idea of "a bounty on exportation" to protect British position in the foreign market. "A proper bounty would balance the growing price of labour and materials at home, and keep open the foreign market. By neglecting that salutary measure, the Dutch have lost all their manufactures, a neglect that has greatly benefited both England and France."⁷⁶⁾

How all this does relate to agriculture? Once, gold and silver mines destroyed the extensive manufactures of Spain, and the same is thought by some authors to have caused the decline of Spanish agriculture. This, however, is not true. "Superfluity of gold and silver is favourable to agriculture, by raising the price of its productions. It raises also, it is true, the price of labour; but that additional expence is far from balancing the profit made by high prices of whatever the ground produces. Too much wealth indeed is apt to make the tenant press into a higher rank: but that is easily prevented by proper heightening of the rent, so as always to confine the tenant within his own

75) *Ibid.*, p.156. This appraisal of Bern, which reminds us of that of Geneva by Rousseau, is subdued in latter Sketch on the 'different forms of Government', where Kames writes "No human work can be everlasting Patriotism is observed of late years to be on the decline among the citizens of Bern; and no wonder, considering that luxury and selfishness are the never-failing offspring of opulence." *Sketches*, Vol.II, p.245 note.

76) *Sketches*, Vol.I, pp.157–8.

sphere.”⁽⁷⁷⁾ If this is so in effect, then the previous contentions will have to be modified in proportion to the scale of agricultural interest, but Kames does not elaborate the issue any further.

Finally, Lord Kames put into question banks. “It is an important question, Whether a bank upon the whole be friendly to commerce.”⁽⁷⁸⁾ Banks no doubt can serve to promote industry, just like a new influx of money. At the same time, they raise the price of labour and of manufactures. As it is, banks can bring a huge benefit where money is scarce, as they can supply additional currency to stimulate industry. However, in those countries where the currency is abundant or even superfluous to support the extensive commerce, banks are obstacles to the foreign trade, excluding “what is erected for the supplying the merchant with ready money by discounting bills”.

These two types of banks should be watched carefully. Bills or notes discounted by discounting banks must be limited to those issued in the course of actual transaction. Fictitious bills, i.e., those issued for the purpose of merely obtaining loans, must be excluded. On the other hand, in case of lending banks, they should watch carefully over the risk of credit expansion.

In this context, Lord Kames praises Prussian monetary and trade policy. “The different effects of plenty and scarcity of money, have not escaped that penetrating genius, the sovereign of Prussia. Money is not so plentiful in his dominions as to make it necessary to withdraw a quantity by heaping up treasure. He indeed always retains in his treasury six or seven millions Sterling for answering unforeseen demands: but being sensible that withdrawing from circulation any larger sum would be prejudicial to commerce, every farthing saved from the necessary expence of government, is laid out upon buildings, upon operas, upon any thing rather than cramp circulation. In that kingdom, a bank established for lending money would promote industry and manufactures.”⁽⁷⁹⁾

He probably was thinking that Prussia should be a model for Scotland.

Theoretically, Lord Kames seems to have owed a lot to Hume, except in regard to the monetary policy, where he did not follow Hume’s *laissez-faire* theory and upheld some positive policies, as we have already seen. As an economist, he stood somewhat behind of the top front — this impression is undeniable, but the main purpose of the present paper is to cast a light on some aspects of the thought of Lord Kames as an economist.

77) *Ibid.*, p.158.

78) *Ibid.*, p.159.

79) *Ibid.*, pp.160–61.