

Jean-Baptiste SAY, *Traité d'économie politique ou simple exposition de la manière dont se forment, se distribuent et se consomment les richesses*, variorum edition in six editions, edited by Claude Mouchot, Paris: Economica, 2006. Pp. LXXXVI+1165+CIX in two volumes. €70. ISBN 2 7178 5318 9.

The Centre Auguste et Léon Walras, today the Centre de Recherche Triangle, has now turned its attention to the work of Jean-Baptiste Say, employing the same editorial techniques that were so outstandingly successful with the writings of Auguste and Léon Walras. In this new edition of Say, the *Traité* has a central place. This is certainly the most important of Say's works, although for the lack of a variorum edition it has hitherto been difficult to analyse the successive modifications that Say introduced through the six editions which he prepared. The resulting text is quite remarkable. A priori, it would seem very difficult to produce a satisfactory variorum edition that would properly reflect the scope of the changes that Say made to successive editions of the *Traité*. Claude Mouchot has however managed to present the work in such a way that it is possible to follow, without too much difficulty, the evolution of Say's thinking. In addition, the notes that Mouchot has added are both concise and precise. The index of authors is particularly useful, since it is not limited to recording those pages on which each name is cited; each name is also provided with a short outline of life and work, which will be of great help to the interested reader.

The text is preceded by two introductions whose importance must be emphasised. Jean-Pierre Potier outlines the many translations that have been made of the *Traité*. Reading through this, one can see how the work played a critical role in the diffusion of economics both in Europe and in the United States. Extracts from prefaces to these translations lend us an insight into the manner in which Say was generally understood. Philippe Steiner's comparison of the six editions of the *Traité* (1803, 1814, 1817, 1819, 1826 and 1841) demonstrates the scope of the changes that Say made to his text. Between the first and the second editions one half of its pages were either rewritten or revised. The overall plan of the work also changed. The first volume contained five books which dealt successively with production, money, value, revenue and consumption. The second edition introduced a new tripartite structure: production, distribution and consumption. In other words, the *Traité d'économie politique* of 1814 was a new book. Everything points to the fact that the project which Say developed here was more ambitious than his original intention in 1803. No longer is it a matter of providing a clearer and more coherent exposition of Smith's ideas (1803: 36),¹ but of correcting "some of the points on which he appears to have been in error" (1814: 37). The changes that Say made in later editions are certainly of lesser importance, but they are by no means trivial. Apart from the constant work of clarification that was so important to him, Say heavily revised his treatment of the theory

¹ I refer here first to the historical date of an edition, and then to the page number in the edition under review.

of money, together with his analyses of value and of distribution, so that he might integrate the outcome of discussions on these subjects in which he had become involved, most notably with Ricardo.

We can take four examples to give an idea of the evolution of Say's thinking, as evidenced by a reading of the six editions of the *Traité*. Four issues will be dealt with in turn: market opportunities (*les débouchés*), interest, money and value. In the short chapter that Say devotes to the question of markets in the first edition he argues against economists who, like Steuart and Forbonnais, consider that foreign trade plays an essential role in economic development by opening up new markets to production, at the same time augmenting the quantity of bullion and coin circulating within a country. On the contrary, he maintained that it is not the abundance of money that opened market opportunities, and that the most profitable sales are those that a nation transacts itself. This argument was justified by the observation that usually each producer had, at the end of the year, no more money in his hands than when he had started (1803: 204). This argument suggests the relationship which our contemporaries call Say's identity. In the second edition, the account is extended and rendered more complex. Against the argument that sales are slow because money is scarce, Say puts forward the idea of endogeneity in the supply of money. "Any want of money in daily transactions can easily be overcome" (1814: 248): bearer bills, bank notes and open credits substitute for the missing money. Say tells us that money will soon begin to flow, and continue to do so. In the system of metallic currency implicit to his argument the amount of money is an endogenous variable. He repeated this argument in later editions and if he altered it in 1819, this was to criticise Sismondi and reject the possibility of a generalised overproduction. He went on to state that if there were a superfluity of some products this was because of a growing scarcity of others (1819: 253). The way out of a crisis was through the augmentation of investment, and not through a reduction of savings.

Say breaks with the classical tradition in his analysis of interest and profit. Smith (1776: 847) presents profit as a whole: "The revenue or profit arising from stock naturally divides itself into two parts: that which pays the interest, and which belongs to the owner of stock; and that surplus part which is over and above what is necessary for paying the interest". The variorum edition shows how Say departs from this view through successive adjustments. In the first edition he notes Smith is "placed in great embarrassment consequent on his failure to separate the profits of the industrial entrepreneur from those of capital" (1803: 730). Say regards these revenues to be different in nature. The price of the entrepreneur's labour is determined by the relationship between the quantity of his work that is demanded and the quantity supplied. Profit of capital, by contrast, is made up of a simple profit and an insurance premium. If he sometimes treats these revenues as a single entity, he does concede that this approach is open to criticism: "Strictly speaking, one should not treat the insurance premium that covers the risks to which capitals are exposed as being on a par with the profits of capitals themselves" (1803: 778). In the second edition, he introduces a new distinction between the profit of capital, defined as the revenue which returns to the capitalist who himself employs his capital as well as the interest on borrowed capital. But the difference between these two types of revenue is first stated clearly in the fifth edition: "the revenue of a capitalist is determined in advance

when he borrows his instrument and draws from it an agreed interest; it is prospective, and depends on the value which would result from the capital if the entrepreneur were to have employed it on his own account” (1826: 753).

In the first edition Say seems disposed to admit two ideas which will disappear in later editions of the *Traité*. While he rejects the idea that an increase in the quantity of money is capable of reducing the rate of interest, he acknowledges that hoarding can cause it to rise. Citing the famous passage from Turgot (1766: 217), he also maintains that a fall in the rate of interest stimulates activity. These two propositions disappear from the second edition. There (1814: 763) Say argues that the rate of interest reflects the level of activity. A rise in the rate of interest does not always indicate that capitals are scarce; on the contrary, it might imply that their employment was remunerative. Inversely, he thinks that if interest was weak in France during the final years of the Empire, this was on account of the weakness of economic activity.

In the analysis that he makes of money in the first edition of the *Traité*, Say takes his inspiration from Smith in defining money – as a means of payment – and explaining its emergence: “it is custom, and not the authority of a government, that renders a commodity money more than anything else” (1803: 446). Here he is seeking to resolve the problem of the nature and value of inconvertible paper currency; if Smith maintains that “A paper money consisting in bank notes ... payable upon demand without any condition ... is, in every respect, equal in value to gold and silver money” (Smith, 1776: 324) he fails to explain how a money lacking any intrinsic value can circulate. In the first edition Say advances a somewhat hesitant response, for he remains attached to the idea that “money is accepted in exchange ... because it is a commodity having a value” (1803: 456). Consequently, it appears that a money having no value as a commodity should not have any value, according to the conventions prevailing at the time of its issue. Say writes that this is what will happen sooner or later; the problem is rather to understand why paper money, such as assignats, should not be immediately reduced to its true value at the time of issue. Only in the fourth edition (1819: 420) does he deal with this. Citing the example of England, he says that the paper money derives its value not from the unlikely event of it being exchanged for gold or silver, but from the need that exists for an intermediary in exchange.

In 1826, following the recent publication of Tooke’s *Considerations on the State of the Currency*, Say heavily revised the chapters in which he dealt with money. His analysis of the evolution of the economic situation in England following the end of the Napoleonic Wars was marked by a shift in his thinking, since he now laid emphasis upon the impact that monetary policy had upon the state of the economy. He explained that the Bank of England had only to reduce the number of notes in circulation to restore the value that they had had before the suspension of payments. To do this, it reduced its purchase of securities while the government reimbursed a part of the advances that it had been allowed by the bank. If this policy did have the intended effect upon prices, it did also have at the same time a very deleterious impact upon the level of activity. The fall in prices noticeably increased the real costs of agreements contracted at a nominal value. Say drew attention in particular to the example of farmers who had signed long-term leases; the real cost of the rent stimulated by these leases increased, because of the fall in prices. At the same time,

government costs – the size of the public debt, the amount of salaries – rose in their real value. This resulted in the restoration of the pound sterling being accompanied by a severe crisis. Say came to the conclusion that it would have been preferable to stabilise the value of paper money at the level to which it had fallen, rather than seek to restore it to the level it had had before the suspension of payments.

Say's theory of value has played a central role in the interpretation of Say's work, and here opinion has diverged widely. Some writers, such as Schumpeter (1954: 600) contrast Say to Ricardo, emphasising that for Say "utility was more than a *condition* of exchange value, in the sense in which Ricardo meant this phrase" and that it was for him "the 'source' or 'cause' of exchange value". Others, especially Samuel Hollander (2005: 34), maintain that in the analysis of prices in the long term there is no substantial difference between Ricardo and Say.

When in the first edition of the *Traité* Say contrasts natural to exchange value, and natural price to current price, all evidence seems to point to his drawing upon Book I Ch. VII of the *Wealth of Nations*. In particular, he takes up the Smithian analysis of gravitation. In the second edition an important modification to this is made. Here utility appears as the source of value. "The value than men attach to things has its principal foundation in the use that they can make of them. ... This faculty that certain things have of being capable of satisfying the various needs of men, that one can allow me to call *utility* ... The utility of things is the prime foundation of value" (1814: 80). He relies on this proposition in developing a symmetrical theory of value. The utility of a good determines the demand for it, and the costs required for its procurement limit the extent of demand. Hence the natural price of goods is determined by supply and demand. Say does not reject the Smithian thesis: competition among producers brings about a decline in the price of goods to the level of the production costs. For him, the problem is to relate these two ideas: utility as the foundation of value, and the natural price of goods being equal to their costs.

Say's reading of Ricardo will lead him, in the fourth edition, to refine his argument: "As one can see, the current value of productive services rests upon the value of a multitude of reciprocally balanced products, and it is not the value of productive services which founds the value of products, as is claimed by some writers [Ricardo]; and just as it is the utility of a product that renders it sought after, that established a value for it, it is the faculty of being able to create this utility which is sought in productive services, which establishes their value..." (1819: 604-5). In other words, the price of productive services depends upon the demand that exists for products. In a note to the fifth edition he develops this idea by reference to the Ricardian theory of rent. "[Ricardo] claims that it is the cost one is obliged to pay to cultivate the worst land that leads to a rent being paid on the better lands, such that it is the needs of society that creates a demand for agricultural produce and raise the price high enough for farmers to be in a position to pay the proprietor for the right to cultivate his land" (1826: 80). The critique that he makes of Ricardo can appear incongruous, and one has to admit that the Ricardian theory logically implies that the price of production, like market prices, depends upon demand. But his readers have sometimes been troubled by the manner in which Ricardo analyses the relation between the price of production and demand in Ch. XXX of *Principles* in which he writes: "It is the cost of production which must ultimately regulate the price of commodities, and not, as has been

often said, the proportion between the supply and demand” (Ricardo 1951: 382). By questioning this idea Say opened the way that would lead, much later, to economists treating him as an early neoclassicist. One of the merits of this variorum edition is to demonstrate the lengthy route that Say took in arriving at a conclusion that is today quite familiar to us.

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