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An Aspect of an Economic Controversy in the Old Regime

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Kuniyasu Morioka

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1. Introduction

In the Old Regime of France, the 'guerre de farine' broke out in 1775. In those days, it was Turgot that was a 'contrôleur général des Finances' (Controller-General). Just after he promulgated the edicts that aimed at free trade of corn, popular riots happened. Just before the 'guerre de farine,' Jacques Necker, future Controller-General, published his book 'Sur la législation et commerce des grains.' Since this book was in a sense against Turgot's policies of economic liberalism, Turgot and his friends thought of Necker's book as a document of anti-Turgot and Necker as a demagogue of these riots¹⁾. While Turgot tried to pull down them, Condorcet, one of his friends, tried to support Turgot's reform²⁾. In fact Necker's book went on sale barely a week before the outbreak of the bread riots³⁾. He engaged himself in a controversy over free trade of corn and economic liberalism. The traditional policies of food that Turgot and Condorcet attacked were part of "moral economy", if we use the terminology of Thomson.

According to "moral economy"⁴⁾, marketing should be, so far as possible, direct, from the farmer to the consumer⁵⁾. The farmers should bring their corn in bulk to the local pitching market. They should not sell it while standing in the field, nor should they withhold it in the hope of rising prices. The market should be controlled. No sales should

1) Williams, p.19.

2) Baker, p.25.

3) Baker, p.61.

4) Thompson, pp.193-4.

5) Necker also refers to directness from the farmer to the consumer. He says. "I would like to bring landlords to the consumers nearer," Necker, p.294.

be made before stated times, when a bell would ring; the poor should have the opportunity to buy grain, flour, or meal, first, in small parcels. At a certain hour, when their needs were satisfied, a second bell would ring, and larger dealers (duly licensed) might make their purchases. Dealers must not buy (and farmers must not sell) by sample. They must not buy standing crops, nor might they purchase to sell again (within three months) in the same market at a profit, or in neighbouring markets. These restrictions against forestalling, regrating and engrossing are codified in the reign of Edward VI⁶⁾. It is almost the same as in France and other parts of Europe⁷⁾.

“Police” was the means by which government sought to assure the subsistence of the people⁸⁾. Public officials believed that provisioning was for the most part a matter of good police⁹⁾. In the Old Regime, the king regarded himself as father to his people. This paternal metaphor was a slogan and the people also had the idea of the king as father-to-his people¹⁰⁾. The traditional policies of food as follows, farmers cannot sell their products outside the market, merchants cannot buy wheat and sell it higher in the same place, first citizens buy grain, and then merchants can buy it, and so on.

This essay aims to investigate into a controversy between Necker and Condorcet, and to give a brief sketch of an aspect of the controversy between free traders and advocates of restrictions in general.

2. Necker

First, we investigate into Necker’s argument. Necker opposes the free trade, because he wants to secure provisioning for people, and his argument is based on the understanding of the mentality of the masses.

According to Necker, the population of France is 24 millions. The annual consumption of wheat is about 48 millions of setiers (1 setier=156 liters). For three years since 1764 the free trade was carried out. From 1,200,000 to 1,500,000 setiers flew from France. That is from 400,000 to 500,000 setiers by year, barely 1 % of the annual consumption. It does not seem to be dangerous. It corresponds to at most the food of 250,000 persons¹¹⁾. But the more you insist on the lowness of exportation by the edict of 1764, the more you realize the major inconveniences of the free trade¹²⁾.

6) It is the restrictions that Adam Smith criticizes severely in *An Inquiry into the Nature and Causes of Wealth of Nations*, Volume I, p.528.

7) Yamane, p.15.

8) Kaplan, p.11.

9) Kaplan, p.10.

10) Kaplan, p.5.

11) Necker, p.49.

12) Necker, p.51.

Regarding the domestic trade of food, as far as the price of grain does not reach 30 livres the setier¹³⁾, everyone has the liberty of buying and selling it in the market. But if the price rises more than 30 livres the setier, in order to prevent speculation it is prohibited both to sell it outside the market and to buy it without showing the destination of transport to sell it again higher at another moment. If the price of grain is less than 30 livres the setier, they enjoy the whole liberty of interior trade. Because even a lack of a very small quantity would be enough to bring about a big change of the price of subsistence. In the commerce of corn even a so small quantity of production causes a big effect¹⁴⁾.

Suppose 100,000 people in a closed space. 100,000 pieces of bread are needed for their subsistence per day. Several merchants come to bring them those pieces of bread every day. As long as bread is provided, there is no change in the price. But if food was short only once or two times and two persons ran short of bread, the fear of being one of these unhappy persons would excite such an enthusiasm of buying, and the merchants would double or triple the price of food.

Moreover, if the people have no easy way of counting these 100,000 pieces of bread, when merchants bring them, they do not judge well by the uneasiness. They imagine that there are 99,000 pieces, while actually 100,000. Merchants would pile up several pieces of bread using this imagination to show less than there are. So, they succeed in selling higher. After all the prices go down when the merchants see a lot of bread left over many times, as a result, consumers get back to tranquillity¹⁵⁾.

The exportation of a small quantity of wheat, even 1 % of the whole consumption, is enough to double the price of it even if there is no real shortage. Therefore, it is important that there is a superfluity of grain. It is why the price of grain suffers variations unlike other products¹⁶⁾.

We do not see such argument that pays attention to the psychology of consumers in the works of Condorcet, Adam Smith's¹⁷⁾, or French economists like Quesnay. They only think of supply and demand in the whole country. They look at a rational aspect of human behaviour. On the contrary Necker sees the possibility of panic even if supply-demand balance is almost reached in the production of food. He understands another aspect of irrationalism of the behaviour.

He has a strong caution in speculation. If the price is over 30 livres, he proposes to introduce the traditional policies of food (police) and to prevent from higher price and

13) This number might be based on the edict of May 25 1763.

14) Necker, p.51.

15) Necker, pp.56-7.

16) Necker, p.57.

17) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book IV, IV. v. b. Digression concerning the Corn Trade and Corn Laws.

speculation by merchants¹⁸⁾. A great inconvenience of principles on the unlimited free trade of grain is, when these principles are authorized and spread by laws, that there is no difference between absolutely necessary foodstuffs and the other goods¹⁹⁾. As a result, merchants raise the price using their skills. In short grain is a special merchandise unlike the other products. Its shortness could bring about a panic or a riot. That is what public officials in the Old Regime understand well. So, Necker says, if the free trade is the wish of all the wholesalers, it becomes an economic religion²⁰⁾,

Another trait of Necker is that he speaks about political justice. The deposit of subsistence must be delivered in the price in proportion to the buying power of the people so that political justice may not be broken²¹⁾. On the other hand, Condorcet's language is composed of the vocabulary of abstract notions mainly containing "reason," "prejudice," and so on.

However, a new way of thinking, political economy, tries to solve this problem in another method.

By the way, Necker also says interesting things, that is to say, a kind of important substituting industrialization. He says²²⁾;

If several kinds of products which France imports could be made in France, this part of trade would be destroyed, and France could get benefits in several points. All the people and animals used for this circulation could be employed for other productive industries.

3. Condorcet

Condorcet says that public officials fear the monopoly of grain and believe in the necessity of preventing it by regulations²³⁾. He asserts that monopoly does not occur. Monopoly is to be feared only when the sellers are reduced to a very small number. Economic liberty is the remedy of monopoly by multiplying merchants²⁴⁾.

But some may say, if you abandon the trade of subsistence to avarice of merchants, they might corner all the wheat of a province²⁵⁾. It is exactly what Linguet and Necker think of. They are afraid of giving the nation to famine and civil war. It is what economists' narrow

18) Necker, p.294-5.

19) Necker, p.296.

20) Necker, p.292.

21) Necker, p.297.

22) Necker, p.289.

23) Condorcet, *Réflexions*, t.XI, p.212.

24) Condorcet, *Réflexions*, t.XI, p.213.

25) Condorcet, *Réflexions*, t.XI, p.213.

sprit could not think of ²⁶⁾. Condorcet responds to this objection as follows.

First, monopolizing dispersed wheat needs a lot of time and agents. Therefore, it is impossible that farmers and landlords keep the secret. If they become aware of this movement, some will sell their grain higher, some will stop sell it till the price is going to rise extravagantly, and some demand a deposit or the whole payment. As a result, cornering would not work well. The price will go down in the market²⁷⁾.

Second, if wheat from abroad arrives and a competition is established, the foreign wheat will make up for the shortage, and the authors of this manoeuvre will be obliged to sell the grain. So, it will not be possible to starve a province, a kingdom, when liberty permits the inflow of wheat from abroad²⁸⁾.

Regarding the spread idea that the instantaneous and absolute needs of grain have no proportion with the interests which a merchant has selling his foodstuffs, and what Necker speaks about the needs of laws that prevent the owners of wheat from abusing their power (Condorcet refers to Necker's book, chap., IV, p.126 and 127), Condorcet says that the fear has no grounds. Because the interests of the owners of wheat make them sell it²⁹⁾. The nuance of what Necker says here is in fact a little different³⁰⁾. According to Condorcet the regulation advocates (pohibitifs) like Necker, never talk about the exportation of grain, because if they connect the idea of exportation and that of liberty in their spirit, their mind disturbed by the fear does not permit them to discuss the reasons of liberty. The fear is an imperial passion³¹⁾.

On the contrary Condorcet declares that he does not talk about human passions. This is an interesting remark. The regulation advocates like Necker make much of human passions and feelings. Public officials also pay attention to the passions of the people and therefore they advocate 'police' of subsistence. They understand that the fear for the shortage of subsistence can cause a popular riot. But philosophes like Condorcet always appeal to reason and sense. He says that we only want to teach them to know their interests and justice³²⁾.

Condorcet envisages, when the exportation is reciprocal, what are safety of subsistence, its price and variations in the price. If a nation receives more than it gives (an excess of imports over exports), the price will go down and the subsistence will be more assured.

26) Condorcet, *Réflexions*, t.XI, p.214.

27) Condorcet, *Réflexions*, t.XI, p.214.

28) Condorcet, *Réflexions*, t.XI, p.215.

29) Condorcet, *Réflexions*, t.XI, p.215.

30) Troisième partie, Chap.VI, Maybe Condorcet made a mistake?.

In this part Necker claims the needs of deposit of wheat and that its price should be in proportion to buying power of the people in order that political justice may not infringed. Admitting the prerogatives of propriety, as long as possible, says Necker, you must not lose the old title of humanity from sight.

31) Condorcet, *Réflexions*, t.XI, p.216.

32) Condorcet, *Réflexions*, t.XI, p.217.

So, all the citizens will desire a general liberty of exportation³³⁾. This may be good for consumers. But is it advantageous for farmers? Physiocrats claim the free trade of grain, because they think that due to the abundance of grain in France the price is too low. If France exports grain, a good price will be realized. While physiocrats look at producers, Condorcet only considers the effects.

In the case of an excess of exports over imports a nation also gets benefits from free exportation. Producers will find a market and the amount of reproduction will increase.

When the trade is not reciprocal, (neighbouring countries not following free trade), embarrassment and risk discourage wholesalers to bring wheat there and they prefer domestic commerce to foreign trade³⁴⁾.

Advocates of regulations are obliged to admit that even a small quantity of exportation is enough to bring about fear to the people, and this fear can cause a considerable rise of wheat. That is exactly what Necker says. Condorcet's response is as follows. "what happens from this frightening hypothesis? If the exportation is denounced as a means of making the people die from starvation, they are forced to be seized with the fear of the exportation. That is what happens"³⁵⁾. Due to sophism and declamation it only strengthens the natural prejudices of the people against exportation.

Is this a sufficient response to Necker's argument? Necker points out the possibility of panic if there is even a small shortage of food. Necker understands and emphasizes the mentality of the masses. Most of French economists have not had this point of view. Condorcet, however, could have the opportunity of knowing this kind of argument. But it does not have an influence on his thinking. He considers it as a kind of prejudice and thinks that Necker uses sophism eloquently. Prejudice, it is a slogan and magic word of philosophes when they encounter ideas which they think wrong. That is why Edmund Burke confesses that he cherishes prejudices. He says:

You see, Sir, that in this enlightened age I am bold enough to confess, that we are generally men of untaught feelings; that instead of casting away all our old prejudices, we cherish them to a very considerable degree, and, to take more shame to ourselves, we cherish them because they are prejudices; and the longer they have lasted, and the more generally they have prevailed, the more we cherish them³⁶⁾.

But Condorcet says that the commerce of wheat reassured by the government's solid will becomes a remaining resource, and that then the exportation can be established

33) Condorcet, *Réflexions*, t.XI, p.218.

34) Condorcet, *Réflexions*, t.XI, p.219.

35) Condorcet, *Réflexions*, t.XI, p.222.

36) Burke, p.138.

without causing fear to the people³⁷⁾. The errors of the people are almost always the results of bad laws³⁸⁾. This is the theme repeated through his works.

After all Condorcet summarises his rejection of the traditional policies of grain as below. The means the government can use to assure the subsistence of the capital:³⁹⁾

1. prohibitive laws
2. policies of administration
3. oppressive laws

If the capital has the same prohibitive laws as the rest of the country, it has the same effect. The convoy of grain would be diverted from the capital for the fear of the prohibitive laws.

Regarding the policies of administration, the burden of these policies is imposed on the whole country, and country people have to support it, it is unjust. At the expense of country people, the supply of subsistence to the capital at a cheaper price is provided in the traditional ways⁴⁰⁾. It is a criticism of the traditional policies of subsistence (police). Condorcet does not make mention to the third means, and because it may be clear that it is unjust.

Effects that the traditional policies of “police” bring about are; to move subsistence further apart from the city; to increase the price of food by the fear of buyers, by the risk and the loss to which merchants are exposed⁴¹⁾.

4. Concluding remarks

Regarding the restrictions of corn, Adam Smith says that this statute authorises two very absurd popular prejudices⁴²⁾. The first prejudice is that merchants cannot engross in fact all the corn of the island. We think that depends on experience, but Smith considers the whole market of Britain, while forestalling and engrossing, however, happen in a local market in general. As regards the second prejudice, if a merchant judges wrong in this and if the price does not rise, he loses the whole profit of the stock which he employs in this manner, he hurts himself. “If he judges right, instead of hurting the great body of the people, he renders them a most important service. By making them feel the inconveniencies of a dearth somewhat earlier than they otherwise might do, he prevents their feeling them afterwards so severely as they certainly would do, if the cheapness of

37) Condorcet, *Réflexions*, t.XI, p.224.

38) Condorcet, *Réflexions*, t.XI, p.224.

39) Condorcet, *Réflexions*, t.XI, p.228.

40) Condorcet, *Réflexions*, t.XI, p.229.

41) Condorcet, *Réflexions*, t.XI, p.233.

42) Smith, Volume I, p.533.

price encouraged them to consume faster than suited the real scarcity of the season.”⁴³⁾ This is a very strange argument. Food like corn is a merchandise of low price elasticity of demand., so people cannot wait the cheapness of the price.

In contrast, a general image of Necker is that of a man who is good at handling practical matters as a banker. According to Harris, Necker shared the ideas of liberalism, and what he sought to do in his book on the grain trade was to find some practical guidelines that would meet the desire of the landlords, merchants, and workers⁴⁴⁾. But we think one of the most characteristic quality of Necker is an insight into the psychology of people unlike Smith and French economists. On the other hand Condorcet, as we have seen, does not accept Necker's argument. For philosophes like Condorcet, it is more important to enlighten ignorant people imbued with prejudices,

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43) Smith, Volume I, p.533.

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