

# Pierre Le Pesant de Boisguilbert

## (1646-1714)

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Pierre Le Pesant de Boisguilbert was born in Rouen (Normandy) on 17 February 1646, in a family of “noblesse de robe” — that is, an aristocratic family which got its rank from holding certain judicial or administrative positions — and died there on 10 October 1714. A distant relative of the playwright Pierre Corneille (1606–1684) and of the *homme de lettres* Bernard Le Bovier de Fontenelle (1657–1757), he was first educated by the Jesuits in Rouen and then in the Jansenist Petites Écoles de Port-Royal near Paris. After studying law in Paris, he held various “charges” or “offices” in Normandy in the Ancien Régime administration of justice and police where he acquired the deserved reputation of being a passionate and bad-tempered person. Like many contemporaries he was struck by the deep and lasting economic and social distress

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which prevailed in France during the second half of the reign of Louis XIV (1638–1715). Also like many other “men of system” and pamphleteers of the age, he tried to remedy the situation and he proposed, with a remarkable insistence, his solution to the various Contrôleurs généraux des finances (Ministers of the economy and finance), L. Phélypeaux de Pontchartrain (from 1689 to 1699), M. Chamillart (from 1699 to 1708) and N. Desmarests (from 1708 onwards). He remained however unsuccessful in spite of the support of some influential persons like J.-B. Desmarests de Vaubourg — a nephew of Colbert — and the Duke of Saint-Simon (see Hecht 1966b).

The precise dating of most of Boisguilbert’s writings is uncertain. While his *Le Détail de la France* was published anonymously in 1695, probably some years after its composition, the greatest part of his works — for example, the *Dissertation de la nature des richesses, de l’argent et des tributs*, the *Traité de la nature, culture, commerce et intérêt des grains*, the first and the second *Factum de la France* — were published all together, with a reprint of the *Détail*, in 1707, in two volumes, under various titles, one of which being particularly misleading: *Testament politique de Monsieur de Vauban* — this generated a lasting confusion between his ideas and those that Marshall Sébastien Le Prestre de Vauban (1633–1707) published the same year in his *Dixme Royale*. Some works were republished in 1843 in the “Collection des principaux économistes”, with Guillaumin, in a volume dedicated to the *Économistes financiers du XVIIIe siècle*, but this is a faulty edition because Boisguilbert’s vocabulary was sometimes changed by the editor, Eugène Daire, in order to “update” it. Some important unpublished manuscripts and correspondence were discovered later and published in the only complete and reliable collection of Boisguilbert’s works: the 1966 INED edition by Jacqueline Hecht (Hecht 1966a).

The interpretation of Boisguilbert’s writings is an intricate undertaking. While his works have never ceased to attract attention, the various interpretations offered are conflicting. Boisguilbert was alternatively depicted as a liberal and as a protectionist; as a supporter of capitalism or

of socialism; or, to put it briefly, as a “forerunner” of nearly every important economist who wrote after him (see, for example, Horn 1867; Van Dyke Roberts 1935; the studies included in Hecht 1966a, 1989; Faccarello 1986 [1999]). It is true that his style and language do not facilitate the reader’s task. Recent research, however, eventually produced a picture of Boisguilbert as a powerful thinker, who, out of a threefold tradition of Bodinian political thought, Cartesian physics and above all Jansenist moral philosophy, founded what is called today the free-trade approach to political economy. Directly or indirectly, his thought influenced the main political economists of the French Enlightenment — Quesnay and Turgot in particular.

### **Boisguilbert’s Approach and the Role of Jansenism**

As a Jansenist, Boisguilbert’s approach is typically embedded in a dark theological vision based on the fundamental “fact” of the Original Sin — Jansenism being a very pessimistic version of Augustinian thought. After “Adam’s sin”, man saw his nature totally corrupted and replaced in his heart the love of God with an exclusive love for himself — “amour-propre” or selfishness. Because he is not self-sufficient, he is obliged to work in a hostile environment and to cope with other men’s self-loves in an everlasting fight.

Jansenist authors raised in this context three fundamental questions: theological, moral and political. In the first place, if men substituted in their heart their own self-love for the love of God, how could they be saved? — this is the problem of the grace. In the second place, if men act selfishly in all circumstances, no morality can ever exist and any action or thought which looks charitable, altruistic or benevolent from the outside, in reality only conceals strict egoistic motivations. In the third place, and this is the most important point here, the problem of social cohesion is posed: how could a society be maintained in this context of a war of all against all, when “all men are at battle with one another” (Nicole 1671–75 [1700], 3: 116)?

In the Jansenist French tradition, the theologian Pierre Nicole (1625–1695) — and after him the lawyer Jean Domat (1625–1696), both friends of Blaise Pascal — had already given part of the answer: while it is true that man’s reason is very weak and his depravity too potent to allow anything else than passions to direct his behaviour, man nevertheless realizes that he cannot achieve his aims if he attempts to use coercion. Unable to “domesticate” his passions through reason, he uses instead his reason to follow his passions: he is thus willing to submit to other men’s wishes and self-interest but only in order to fulfil his own desires. Nicole terms this type of conduct “enlightened self-love” (“amour-propre éclairé”) and the best example he proposes are market activities.

For example, when travelling in the country, we find men ready to serve those who pass by and who have lodgings ready to receive them almost everywhere. We dispose of their services as we wish. We command them; they obey . . . They never excuse themselves from rendering us the assistance we ask from them. What could be more admirable than these people if they were acting from charity? It is cupidity which induces them to act. (Nicole 1670 [1677]: 204)

Thanks to this intelligent self-love, a society can endure and develop. This society, which is absolutely deprived of love, actually looks full of charity: moreover passions generate strong positive social results and, as regards the production of material wealth, are incomparably more efficient than charity — all themes picked up later and developed by Boisguilbert, the Protestant theologian Pierre Bayle, Bernard de Mandeville and Adam Smith.

Would you like that a nation be strong enough to resist her neighbours? Leave the maxims of Christianity to the preachers: keep all this for the theory, and bring back the practice to the laws of Nature . . . which incite us . . . to become richer and of a better condition than our fathers. Preserve the vivacity of greediness and ambition, and just forbid them robbery and fraud . . . Neither the cold nor the heat, nothing should stop the passion of growing rich. (Bayle 1704 [1705]: 600)

While necessary, this enlightened behaviour is not in fact a sufficient condition for a peaceful social life. Nicole and Domat stress that this attitude and an enduring social order cannot be achieved without the help of bonds of a different kind, the most important of which being the rules of propriety and honour, religion and, above all, the political order (“ordre politique”), that is, a very strong political organization of society implying highly differentiated and stratified estates of the realm and inequality between men (on all these points see, for example, Taveneaux 1965; Viner 1978; Faccarello [1986] 1999; 2006). Nicole’s and Domat’s conception of society is not market-based and the basic social link is still political and moral. Boisguilbert in contrast obliterates the moral and political order and brings market relationships to the fore.

### **Economic Equilibrium and “Laissez-Faire”**

If we consider the activities of the productive class, we are faced with an intricate network of purchases and sales. Yet, it is possible to discover an order by concentrating on the motivations of the agents, which are the same everywhere and the systematic application of men’s self-love to transactions, generating a maximizing economic behaviour: “each man thinks of achieving the greatest degree of individual interest with the greatest ease possible” (Boisguilbert 1691–1714: 749).

What is the main characteristic of a state of wealth or plenty (“équilibre” or “état d’opulence”)? Applying here some notions derived from Cartesian physics, Boisguilbert defines this equilibrium as a situation in which economic agents are allowed to realize freely their natural inclinations, that is, to buy and sell, trying to get the most they can out of the various situations they encounter. As each agent is only connected with the other agents by means of markets and of prices, it is not surprising to see Boisguilbert defining a state of equilibrium or plenty as a situation in which a specific price system occurs: the “proportion prices” (“prix de proportion”) defined as those prices that generate a “reciprocal utility” or a “shared profit” — in seventeenth-century French language “utility”

and “profit” are quite synonymous and are understood in a general way — and make each producer “off loss”. This implies that, in each market, demand must equal supply. This condition can be deduced, in particular, from the recurrent passages in which the “tacit condition of exchanges” (“condition tacite des échanges”) is referred to. To keep the economy in equilibrium, Boisguilbert insists, each member of the productive class only buys someone else’s commodity under the implicit assumption that someone else, directly or indirectly, buys the commodity he sells.

The question, however, lies in the very possibility of the realization of such a structure of relative prices. What about the destabilizing action of self-love? In some striking passages, Boisguilbert seems to admit the necessity for each agent to be aware of the flimsiness of the state of equilibrium. Each man, he writes, cannot obtain his own wealth but from the implementation of the “état d’opulence”; he ought not to forget the necessity of fairness and justice in trade, he has to think of the common good; but, under the pressure of self-love, he acts every day in precisely the opposite way. Nevertheless, Boisguilbert stresses in a rather awkward way, an equilibrium can be reached in such a context: “Providence”, he notes, is keeping a watchful eye on the working of markets; a “superior and general authority”, a “powerful authority” is seeing to it that the economy is working properly; and he mentions “the harmony of the Republic, that a superior power governs invisibly” (1691–1714: 621).

All this may sound strange today, but the reader should not be misled by this kind of vocabulary. Evoking a “superior and general authority” does not mean a regulatory intervention of the State: Boisguilbert was explicitly against this kind of policy. Nor does the word “Providence” mean “miracle” or represent a rationally unexplainable state of affairs: in seventeenth-century French language, “Providence” refers in the first place to “secondary causes”, that is, to the objective laws God installed when creating the world, and which can be discovered through scientific investigation. In Boisguilbert’s writings, “Providence” simply refers to the rules of free competition. Competition is the “coercive power” — as K. Marx was to put it later — the “general authority” which governs markets.

Each seller, Boisguilbert stresses, wants to be free to sell everywhere to anybody he or she wishes and to face the greatest possible number of buyers. As for the buyer, it is in his or her interest to be able to buy from everyone, in any place, and to face a great number of sellers. As maximizing agents wish to sell a commodity at the highest price, or to have it “for nothing”, Boisguilbert asserts, then free competition must prevail throughout the economy in order to balance the opposite forces and to oblige people to be reasonable. The conclusion is then straightforward: *laissez faire!* To illustrate his conviction, Boisguilbert reported the answer a merchant gave to a minister who had asked him how to “re-establish trade”:

[T]he merchant said that there was a very certain and easy method to put into practice, which was that if he and his ilk stop interfering in it [in trade] then everything would go perfectly well because the desire to earn is so natural that no motive other than personal interest is needed to induce action. (Boisguilbert 1691–1714: 795)

Also, restating Nicole’s example of the innkeeper, Boisguilbert noted:

All the commerce of the land, both wholesale and retail . . . [is] governed by nothing other than the self-interest of the entrepreneurs, who have never considered rendering service . . . ; and any innkeeper who sells wine to passers-by never intended to be useful to them, nor did the passers-by who stop with him ever travel for fear that his provisions would be wasted. (Boisguilbert 1691–1714: 748–9)

This is the greatest innovative feature: the basic proposition of liberal political economy unambiguously and powerfully emerges from it. Most of the Jansenist social theory of Nicole and Domat is now obsolete. Man — at least if he is a member of the productive class — has not even to be enlightened; self-love is not destabilizing if embedded in an economic environment of free competition. Society is conceived as market based, and economic transactions form the basic social indirect link between

otherwise independent economic agents. In Boisguilbert's words, the realm is just a "general market of all sorts of commodities" (1691–1714: 683). But if Nicole's and Domat's political order disappears, this is not to say that the State has no part to play: its role is to make sure that the rules of free competition actually prevail and, in that respect, it has to "ensure protection and prevent violence" (Boisguilbert 1691–1714: 892).

## Destabilizing Shocks and Crises

After having stated the conditions for economic equilibrium Boisguilbert had to deal with the destabilizing shocks on the economy: this also constitutes an *a contrario* proof of the necessity of free trade. Destabilizing shocks originate in the class structure of society.

In Boisguilbert's scheme, a very simple type of society — the "état d'innocence" — existed for some time after the Fall, in which men, though corrupted, cooperated with each other: the number of needs was limited, the division of labour simple and barter was possible. All this came to an end when violence emerged: some men became lords (the rentiers) and the rest, that is, all those who produce goods and services, were subjected to them. This society is called a "state of civilization and magnificence" ("état poli et magnifique").

This transition induced major consequences: (1) with the existence of the rentiers, the number of needs increased and with it professions multiplied; (2) barter was no longer possible and money was introduced in order to facilitate exchanges; (3) the progressive multiplication of the professions, from the most necessary to the most superfluous — the comedian — generates also a kind of ratchet effect, that is, once a profession appears, and even if it is the least necessary, it had to be maintained because any attack on any trade inevitably induces, through the diminution of incomes and expenses, a depressing effect on all the other trades; (4) a one-way flow emerged in the distribution of income, reflecting the class structure of society and the fact that rentiers receive an income from the

productive class without giving anything in exchange; and (5) the rentiers are not involved in trade, their behaviour is not checked by competition but by some other rules dictated by the “société de cour” — they know nothing about trade and its necessities and their action has thus to be enlightened. The very existence of a leisure class potentially transforms the economic structure from a stable to an unstable one: Boisguilbert’s aim is to show how all destabilizing shocks are caused by the behaviour of those who “only receive” — and particularly the government through the institution of bad forms of taxation and the regulation of economic activities.

For Boisguilbert and in general for most authors during the Ancien Régime, the market for agricultural products is basic for two reasons: to satisfy the important needs and consumption habits of the population and because agriculture is the source of income of the leisure class. This is why agricultural crises lead directly to general depressions through significant spillover effects in different markets. But it is Boisguilbert’s opinion that agricultural crises are due neither to climatic conditions nor to the mere behaviour of the members of the productive class. Prosperity as well as depression depends on the environment of activities. The role of expectations is crucial here: the same climatic conditions and the same basic behaviour in markets can generate either stabilizing or destabilizing consequences, depending on whether trade is free or regulated.

Let us suppose a strong corn trade regulation such as that which prevailed during the Ancien Régime. What happens in times of bad harvest or even when future crops are simply supposed not to be abundant? On the one hand, buyers expect rising prices and demand larger amounts of corn; a supposed crop failure is sufficient to induce strong precautionary behaviour — the formation of precautionary stocks. On the other hand, the sellers amplify the movement. They stress that crops are going to be very bad ones, even if it is not true; they expect a rising corn price, and, therefore, do not bring the usual quantities of corn to the market: they keep back speculative stocks in order to amplify the price movement. Thus, with a higher demand and a reduced supply, the price of corn in-

creases to seven or even ten times its previous value and consumers are greatly impoverished in real terms. The point to note is the stock/flow mechanism on both sides of the market, which is in direct relationship with the expectations of the agents. Of course, the reverse occurs in case of a good harvest. Buyers expect a lower price and demand smaller quantities of corn than they usually do while the sellers, who cannot keep the corn in stock and also anticipate lower prices, increase their supply. The price falls and farmers are led into ruin.

Why do crises occur so regularly in such a context? In a regulated context there is a direct relationship between plenty and shortage of corn, between periods of very low and very high prices. Plenty generates shortage; when prices are low, farmers no longer cultivate poor quality land thus causing a decrease in agricultural production, which produces a shortage at the slightest climatic variation. On the other hand, shortage generates plenty because, owing to the high price of corn, more land is cultivated. Agricultural crises are thus inevitably cyclical and violent, causing in turn ruin on both sides of the market.

However, whenever free trade prevails, Boisguilbert stresses, the price of corn never fluctuates greatly and there are no crises. The proof is always based upon the information available to agents. When bad crops occur, for example, the mere possibility of buying from other places restrains the purchasers from increasing their demand for corn and building up precautionary stocks; the same possibility also restrains the sellers from speculating. As a result, the price does not fluctuate so much and proportion prices are roughly maintained. In this case also Boisguilbert emphasizes the role of expectations; prices are stabilized, he says, even if no corn, or only a small quantity of it, is imported from “foreign” provinces or foreign countries.

Finally, how do agricultural crises turn into general depressions? In the context of a regulated trade, the stock/flow mechanism linked to expectations in agricultural markets amplifies price and quantity movements considerably. A similar stock/flow mechanism, now linked to fi-

nancial expectations, causes the propagation of the crisis from agriculture to other markets. The agricultural crisis directly affects the income of the leisure class. The rentier is faced with a diminished income flow. His reaction is twofold: because of his lower income, he actually spends smaller amounts of money; but he also spends less because, due to the depressed state of affairs, he is expecting a lower income in the future and he accordingly adopts a precautionary attitude — hoarding. As a result, the crisis is propagated more rapidly and economic movements are amplified.

However, the propagation and deepening of the crisis also takes place in a different way: through price rigidities, for example, in the market for non-agricultural products where downward rigid prices prevail; or in the labour market where a particular emphasis is put on the role of worker coalitions and of downward rigid money wages (on all these points see Faccarello 1986 [1999]).

Two last points must be stressed. First, the essential role played by foreign trade in Boisguilbert's approach is peculiar and still at the root of the free-trade attitude of Quesnay and Turgot during the following century — a kind of specificity of the French followers of the “liberté du commerce”. The importance of free foreign trade is, first, qualitative. It is this freedom which acts on the expectations of agents in the grain trade and allows prices to stabilize and avoid crises; the size of the flows of imports or exports are of almost no significance in this context. Secondly, the question of foreign trade is disconnected from that of money. The quantity of circulating medium is of no importance: only the system of relative prices matters. Criticizing the many and persistent complaints about a “lack of money” as the origin of the economic difficulties of the realm, Boisguilbert insisted that this alleged want of circulating medium is only the consequence of the crisis — constitution of precautionary stocks of money, destruction of a great part of the commercial paper which acted as a medium of exchange — and by no means the cause.

## See also:

Marie-Jean-Antoine-Nicolas Caritat de Condorcet; French Enlightenment; François Quesnay; Adam Smith; Anne-Robert-Jacques Turgot.

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