

The “Fear of Goods”: Two Views

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We have to be grateful to Cosimo Perrotta for the book he published a few months ago: *Paura dei beni. Da Esiodo a Adam Smith* (Perrotta 2008). This study – the Italian version of a volume published with Routledge under the title *Consumption as an investment. The fear of goods from Hesiod to Adam Smith* – is an inquiry into the history of economic thought, on the frontier between the history of philosophy and political science. It describes in a very detailed and accurate manner the evolution of a central topic in our discipline: the answer to the question, should we “fear goods” – should we be highly suspicious of personal affluence and the accumulation of wealth?

We know that the debates on this question reach back to antiquity. We also know how much they were lively, opposing those who, for moral, philosophical and political reasons were fearful of enrichment (either in general or for particular class(es) of citizens) to those who believed the accumulation of wealth to be clearly positive in its effects and thus to be welcomed. We also know how these debates passed down through the ages: this book, starting with early Greek antiquity, stops at the end of the 18th century; a second volume is in preparation, which will continue the story to the present day. But even if the story has not yet been completed, this first volume presents a genuinely fascinating and learned journey into texts and the history of ideas.

My only initial reservation concerns the use of a terminology which could possibly be misleading, in sharp contrast to Perrotta’s quite innovative arguments. A case in point is the old and disputed label of “mercantilism”, which could perhaps be replaced by “political commerce” or “science of commerce” – phrases which are used by some of the authors themselves. Likewise the designation of the majority of 18th century writers as “illuministi”; this term is both vague and confusing, for in fact Quesnay, the Physiocrats in general, and

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even Turgot are not included in this group. “Illumisti” seems in fact to stand, in a rather unhelpful way, for the old (and equally vague) label of “neo-mercantilists”. Associated with this, it is also unfortunate that the discussion of the importance of foreign trade is rather limited, dealing only with the balance of trade *stricto sensu*. An element that Forbonnais, in the *Encyclopédie*, recognised to be crucial to “political commerce” or the “science of commerce” is here disregarded: what we today know as the capital account of the balance of payments and the export of capital – a profitable enterprise for a country, and a powerful weapon in the hands of its government.

These are obviously only minor reservations. The book will doubtless be read with the greatest pleasure, and much learned from it – which was my own experience. But I was asked both to comment on the text and add to discussion. Hence in the following I would like to direct my attention to the “fear of goods”, a central idea which motivated Perrotta’s research, and in so doing distinguish two rather different ways of understanding this fear. I will suggest that, while “consumption as an investment” is an appropriate response to the “fear of goods” in one sense, it is not for another.

The first meaning of the phrase is emphasised in the introductory chapter to the book, and then again in the final chapter on the “illuministi”. It involves the kind of relationship we can establish between wages, consumption, productivity and cost of production. “Fino al 1680-90, gli economisti erano ostili all’aumento dei consumi dei lavoratori: essi volevano tenere bassi i salari per costringere gli operai a lavorare di più, e anche per controllarli socialmente” (Perrotta 2008: 193). Here the reference is mainly to wages as a cost of production, in contrast to the conception of wages as a revenue which generates a demand for consumption goods. In this sense, the “fear of goods” is a fear of enrichment, because the increasing affluence of a country usually leads to higher wages (according to some pamphleteers, it also sometimes lowers productivity), higher costs of production, the reduction of competitiveness *vis-à-vis* other countries and foreign competitors, and eventually economic and political difficulties – even a decline. These arguments are primarily grounded in economic ideas, with some concern for the international power of the state. From this perspective, the way in which the so-called “illuministi” deal with such economic and political anxiety is significant and relevant, as Perrotta correctly notes. Once we envisage a positive relationship between wages, consumption and productivity we are already in a kind of half-way house between the conception of wages as a cost of production, and wages as an element generating a demand. From this new point of view higher wages, while boosting demand, would also leave production costs unchanged, and even provoke their diminution. The “fear of goods” is thus a wrong and damaging idea. In a sense, this amounts to an early history of the theory of the efficiency wage.

But while this kind of debate was important, it would not have provoked such extended and animated controversy throughout the centuries and involv-

ing the majority of theologians and philosophers. Can we really believe that: “Il collegamento illuminista tra aumenti dei consumi e aumento della produttività vinse la millenaria ostilità verso l’aumento dei consumi” (*ibid.*: 213)? Probably not: this connection was only part of the answer. This was firstly because, as suggested in the book, the “illuministi” did have other more specific arguments in favour of the accumulation of wealth. More importantly, however, these lasting controversies were chiefly concerned with a second and much more fundamental meaning of the “fear of goods”. This second sense was also a fear of the negative consequences of the increased affluence of citizens: yet it was not only economic and political as in the first sense, but above all moral, ethical and cultural. This is clear in Plato and Aristotle, as well as in the “mainstream” scholastics. That is why a response in terms of an “efficiency wage” (to briefly characterise the first sense) cannot deal with broad political and ethical issues of this kind. It is this point that I wish to emphasise, even if such political and ethical issues are, despite their constant presence, not the main concern of the book.

In order to eliminate the ethical and political “fear of goods”, in order to “prove” that this fear is nonsense, irrational, something more was needed than the connection noted above: the development of modern economic theory. This was the decisive political and moral revolution, arguing that the pursuit of wealth and enrichment on the part of individuals is by no means destructive of societies, but instead a powerful and efficient foundation upon which societies can be firmly based, and through which they can be successfully maintained. The development of modern theory was of course gradual. But, schematically, I think that two main achievements are of utmost importance.

The first concerns the new and positive role conferred by moral and political philosophy upon private interest, “self-love” or selfishness – strongly contrasting with their traditionally-understood negative connotation. This seems to have begun with the new and abstract meaning given to the word “interest” during the 16th Century by authors like Macchiavelli and Guicciardini in Italy, Teresa of Avila and John of the Cross in Spain. Another important line of development lay through Jansenist debates in seventeenth century France with the recognition, by Pierre Nicole, of a possibly positive and efficient social role for “self-love” and cupidity in markets – much more efficient than charity itself. This line led to Boisguilbert and the foundation of free trade doctrine – later developed by Quesnay and Turgot – upon the fundamental proposition that, under competitive conditions, selfish market behaviour and the pursuit of wealth leads unintentionally to a state of plenty. Far from being destructive of society, free economic activity forms the social bond upon which a state can be securely based.

The second decisive development occurred some decades later, with Turgot and the foundation of a theory of competitive prices based on values and subjective utility, and of accumulation based on savings. As a matter of fact this

completed the Boisguilbertian revolution and its answer to the “fear of goods” and related apprehensions. Henceforth (i) exchange is an exchange of utility: there is no longer any distinction between luxury or necessary goods – or at least the distinction loses its importance; (ii) if an exchange takes place, this is because each trader is improving his or her position in terms of utility: an exchange is thus no longer conceived as a “zero-sum” game; (iii) production is production of utility: the distinction between productive and unproductive labour vanishes; (iv) affluence and accumulation are chiefly the result of an act of abstinence from personal consumption: savings (“virtuous” behaviour according to traditional morals); (v) finally Turgot shows, on the basis of his theory of utility and price, that the rate of interest is a price determined like any other price and that, owing to a preference for the present, it has to be positive: this puts an end to the older controversies over usury.

Given these theoretical achievements, the conception of the “fear of goods” and related debates had necessarily to be modified. The old “fear of goods” could not survive in the same way as it had for centuries. The fear was not totally destroyed, but transformed: it was to recur, but in another guise. In some respects it was obliged to engage with the theorists of *laissez-faire* and fight with arguments derived from political economy. This much is obvious in the 19th Century – the best example being Marx’s political economy. But this transformation is already apparent at the end of the 18th Century, after the arguments outlined above were accepted by the greater part of enlightened public opinion. Let us take two examples.

In the later 18th Century it is well known that Mably opposed the “*économistes*” on political and ethical grounds: modelling his ideas upon Greek and Roman history, he outlined a conception of a state based on strong political bonds between virtuous citizens. But importantly, he thought that simply proposing such an ideal was not enough, and that he had to combat free trade doctrine by employing arguments drawn from political economy itself. He therefore challenged the positions of Quesnay and Turgot making use of Cantillon’s idea of an inexorable economic cycle, and emphasising that the dynamics of affluence and the accumulation of wealth necessarily leads to decline and poverty.

The second example is that of Germaine de Staël and Benjamin Constant, writing at the turn of the century. They seem to be in total contrast to Mably, given their emphasis upon political liberalism and representative government. But while they strongly contrasted the “liberty of the Moderns” to the “liberty of the Ancients”, and accepted the market economy and the doctrine of free trade, they were nonetheless anxious that their contemporaries did not become solely obsessed with the accumulation and enjoyment of material wealth. They argued that such an attitude leads to an exclusive interest in the private sphere, a neglect of political activity and, sooner or later, to anarchy or dictatorship – to the ruin of liberal representative government and of all the liber-

ties that allowed citizens to enjoy their private sphere of interests. This is obviously a new form of the “fear of goods” and of the negative effects of enrichment and wealth.

But they also insisted that free trade doctrine was incomplete. If people only engage in markets solely motivated by selfishness and the accumulation of wealth, this attitude will result in anarchy and prevent the emergence of a harmonious equilibrium. For free trade to be efficient and socially acceptable people have to act in a moral manner: morality is thus necessary even in economic activity. Moreover, in their opinion morality originates in religion. Constant presented a very striking argument that it would be wrong to oppose religion and morality to efficiency. Quite the reverse. Look, he wrote, to England and the United States; there people are so religious, and there are so many different sects. Yet these countries are the most efficient and the wealthiest in the entire world.

Here we have a second “aggiornamento” of the “fear of goods”, similar to that of many currents of thought in early nineteenth century France. But here I get ahead of myself; that is another story and the object of the second volume of this fascinating enquiry: *Paura dei beni* – a volume that I now impatiently await. No doubt, as with the first volume, it will be an enjoyable read and we will learn a great deal from it.

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