

## *Sismondi, a Development Theorist*

### 1.

A considerable amount has been written about Sismondi the economist, both in Europe and beyond. Sismondi's three main works – *Tableau de la Agriculture Toscane*,<sup>1</sup> *De la richesse commerciale*,<sup>2</sup> *Nouveaux principes d'économie politique* –<sup>3</sup> have been examined from many angles. Some minor writings of his on economics have also aroused interest and attracted attention, and they have been analysed and examined with the aim, not only of placing them in the framework of economic theory from which they are derived, but also of finding in them ideas, trends and early traces of theories which followed later.

Scholars have praised many features of Sismondi's works. The graphic reconstruction of early nineteenth-century Tuscan agriculture in the *Tableau*, the practical and antiphysiocentric spirit of the entire work, the preference given to small-scale farming rather than large-scale farming (in contrast with Arthur Young), the concept of freedom as a condition for all kinds of progress, including economic progress, have all been commended by those who have studied the *Tableau* in detail<sup>4</sup>. Some scholars, including Mignet,<sup>5</sup> Aftalion,<sup>6</sup> Halévy<sup>7</sup> and T'wan,<sup>8</sup> have unjustly dismissed Sismondi's next book, *De la richesse commerciale*, as nothing but a zealous popularisation of Adam Smith's work. However, it must be said that, compared to Smith, as well as "an ethical concern which is found only in Sismondi's work" as was keenly pointed out by Pellegrini,<sup>9</sup> in *De la richesse commerciale*, we find: 1) a more efficacious method; 2) unity and completeness of the discussion; 3) a more precise use of terminology; 4) the concept of political economy which in Sismondi's work is not the science of wealth, as it is in Smith's, but the science of the happiness of peoples; 5) a more rigorous analysis of the effects of

<sup>1</sup> Geneva: Paschoud, 1801.

<sup>2</sup> *De la richesse commerciale ou principes d'économie politique appliqués à la législation du Commerce*, (Geneva: Paschoud, 1803), 2 volumes.

<sup>3</sup> *Nouveaux principes d'économie politique ou de la richesse dans ses rapports avec la population*, (Paris: Delaunay, 1819), 4<sup>th</sup> edition 1827.

<sup>4</sup> Cf. L. De Rosa, *Gian Carlo Sismondi e la sua opera*, (Milan: Cavallotti, 1947), pp. 33 *et seq.*, and the sources quoted therein.

<sup>5</sup> A. F. Mignet, *Portraits et notices historiques*, (Paris, 1852), vol. II, p. 6.

<sup>6</sup> A. Aftalion, *L'oeuvre économique de Sismondi*, (Paris, 1899).

<sup>7</sup> E. Halévy, *Sismondi*, (Paris: Alcan, 1933).

<sup>8</sup> Mao-Ian T'wan, *Sismondi de Sismondi as an Economist*, (New York: Columbia University Press, 1927).

<sup>9</sup> C. Pellegrini's Preface to *Sismondi, Epistolario*, (Florence: La Nuova Italia, 1933).

taxation; 6) the concept of the stimulating function of property in a capitalist system;<sup>10</sup> 7) the idea of the productivity of capital; 8) the concept of the essential minimum wage; 9) a different role attributed to foreign trade and, in particular, to the favourable effects of imports; 10) the concept of a national budget.<sup>11</sup> But, above all, we find the conviction that the state is not a body which has no bearing on economic activity, but is itself an operating, incisive factor in production decisions, even in the production process of the individual. If we link this conviction with the fact that Sismondi ascribes greater importance to trade than Smith does, and considers trade profits decisive, we can conclude that Sismondi is not totally insensitive to the ideas of the mercantilists.

Our conclusion coincides partially with Schumpeter's.<sup>12</sup>

The concept of the state being a factor in economic progress, one of the *leit-motiv*s of all Sismondi's writings on economics, emerges very clearly in the book he wrote in his maturity: the *Nouveaux principes*. This concept is linked in this book with the other concept of the state as a bestower of happiness.<sup>13</sup>

Economic criticism has focussed on the *Nouveaux principes*, and has reached the conclusion that this book anticipated the underconsumption theories, studied in depth the theory of increasing poverty, outlined better the value-labour theory, provided new and more valid considerations on the population issue, and anticipated the idea of social legislation by several decades.<sup>14</sup>

The identification of these various elements in Sismondi's theories is the result of the work of many authors whose research was carried out between the end of the nineteenth century and those years before or during the first world war, such as Aftalion, Jannaccone,<sup>15</sup> Einaudi,<sup>16</sup>

<sup>10</sup> Sismondi, *De la richesse commerciale*, I, p. 127.

<sup>11</sup> Cf. P. Barucci, "Un tentativo di trattazione matematica della "Bilancia Nazionale" da parte di Sismondi", in *Economia e Storia*, 1966, n. 4, pp. 481-491.

<sup>12</sup> In fact, Schumpeter wrote (*Storia dell'analisi economica*, Italian translation, (Turin: Boringhieri, 1959), vol. II, p. 599) that Sismondi's *Richesse commerciale* (1803) follows Smith's school of thought less than we have been led to believe, even if we ignore the recommendations of the second volume, which are not at all in line with Smith's ideas.

<sup>13</sup> "The custodian of social power is called to assist the work of providence, to increase the amount of happiness on earth and to encourage the multitude of men that live under its laws only when it can multiply the probabilities of happiness for them". Cf. Sismondi, *Nouveaux principes*, 2<sup>nd</sup> edition, vol. I, p. 188.

<sup>14</sup> Cf. L. De Rosa, *G. C. Sismondi e l'opera sua*, *op. cit.*, p. 281 *et seq.* Cf. also some acknowledgements in H. Denis, *Storia del pensiero economico*, Italian translation, (Milan: Il Saggiatore, 1968), vol. I, p. 409, II, p. 34, 40 *et seq.* On Sismondi's contribution to the underconsumption theory cf. P. Barucci, *Prime teorie del sottoconsumo*, (Florence: Editrice Cooperativa Libreria, 1971), pp. 27 *et seq.*, pp. 57 *et seq.*; and also L. Colletti - C. Napoleoni, *Il futuro del capitalismo: crollo o sviluppo?*, (Bari: Laterza, 1970), pp. XIV-XVII.

<sup>15</sup> Cf. B. Jannaccone, "Sismondi fra gli economisti del suo e del nostro tempo", in *Studi su J. C. L. Sismondi*, (Rome - Bellinzona, 1945), and now in *Discussioni ed indagini economiche e finanziarie*, (Turin, 1953), vol. I, pp. 215-255.

<sup>16</sup> *Studi su G.C.L. Sismondi raccolti per il primo centenario della sua morte (1942)*, con prefazione di Luigi Einaudi (Roma: Bellinzona, 1945).

Rappard,<sup>17</sup> Babel,<sup>18</sup> Halévy, Del Vecchio<sup>19</sup> and Demaria.<sup>20</sup>

However, the most felicitous period, as far as interest in Sismondi is concerned, was when free trade and free international economy were on the wane and monopolistic and protectionist trends gradually began to prevail, giving rise to new mercantile systems.

This was during the height of the great economic crisis of 1929 and in the following years. De Salis' book<sup>21</sup> was published in 1932, Halévy's in 1933, Santonastaso's<sup>22</sup> and Ramat's<sup>23</sup> in 1936, and Bellieri's<sup>24</sup> in 1940. Renewed interest in Sismondi was probably due to the seriousness of the economic crisis which gripped the world at that time and to the urgent need to find explanations and remedies.

These were years when Keynes<sup>25</sup> discussed the same issues and gradually completed his classic work, despite the fact that he had at his disposal and made use of very different instruments and issues that arose from the progress in economic theory in over a century of research.

At that time, very many of the best-prepared and most responsive experts in economic problems must have had in mind Sismondi, with his analyses of economic crises and his outline of the underconsumption theory which, at least, in some countries fitted perfectly the case at issue. Confronted with the great crisis, Sismondi's work proved to be very relevant, and the fact that 1942 marked the centenary of his death contributed to increasing interest in him.<sup>26</sup>

<sup>17</sup> W. E. Rappard, "Sismondi et Genève" in J. R. De Salis - A. Babel - W. E. Rappard, *Sismondi, Discours prononcés à l'Aula de l'Université de Genève le 18 février 1943*, (Geneva: Georg et C. ic, 1943), pp. 53-75. But especially the papers in W. E. Rappard, *Economistes Genèveois du XIXe siècle*, Préface de G. Busino, (Geneva: Droz, 1966).

<sup>18</sup> A. Babel, "L'économiste et le réformateur social", in J. R. De Salis - A. Babel - W. E. Rappard, *Sismondi, op. cit.*, p. 29-51.

<sup>19</sup> G. Del Vecchio, "I sistemi sintetici di economia, Sismondo De Sismondi", in *Vecchie e Nuove Teorie Economiche*, (Turin: UTET, 1956), pp. 340-346-350.

<sup>20</sup> G. Demaria, (in *Trattato di logica economica*, (Padua: Cedam, 1966), vol. II, *Il sistema produttivo*) mentions Sismondi's contribution to juridical-institutional theories (p. 60), to socialist theories maintaining that interest was plundering the workers (p. 1009) and to the theories of profit (p. 1021).

<sup>21</sup> J. R. De Salis, *Sismondi*, (Paris: Champion, 1932), vol. 2.

<sup>22</sup> G. Santonastaso, *L'economia sociale di Sismondi*, (Milan: Giuffrè, 1936).

<sup>23</sup> R. Ramat, *Sismondi e il mito di Ginevra*, (Florence: Sansoni, 1936).

<sup>24</sup> A. Bellieri, *Dal Naturalismo al Neovolontarismo: la dottrina economica di G. C. I. Sismonde de Sismondi*, (Milan: Giuffrè, 1940).

<sup>25</sup> On the connection between Sismondi and Keynes, see G. Del Vecchio, *I sistemi sintetici di economia: J. M. Keynes*, now in G. Del Vecchio, *Vecchie e nuove teorie economiche, op. cit.*, p. 350. On the importance of Sismondi's theory on crises and its influence cf. Schumpeter, *op. cit.*, III, pp. 908 *et seq.*

<sup>26</sup> As well as the book of the commemorative addresses by De Salis, Babel and Rappard at the University of Geneva on 18 November 1943, and that we have already quoted, cf. especially *Studi su G. C. I. Sismondi, op. cit.*

But it was not merely Sismondi's analysis of economic crises and theory of underconsumption that were relevant. A product of an age when the great characteristics of the modern world were taking shape, Sismondi lived through two of the greatest adventures in the history of civilisation: the Industrial Revolution and the French Revolution, this latter being closely followed by the Napoleonic era, in which Sismondi perceived both economic poverty and economic greatness. In fact, Sismondi experienced a whole range of very varied and complex economic phenomena.

He witnessed almost the entire process of industrial revolution in Great Britain,<sup>27</sup> which led to the establishing of the machine age and the philosophy of manufacturing, and to the creation of big modern cities with the whole gamut of problems, including social problems, which dictated and overran life then, just as they do today.<sup>28</sup> Furthermore, in Great Britain, France, Switzerland and Italy, Sismondi observed that an increasingly interdependent international economy was becoming established. He saw, for example that, during a period of unrivalled economic progress, areas which were increasingly advanced from the economic point of view existed alongside increasingly depressed areas. It did not escape him that the great characteristic of his time was economic development, and that, although uneven, this development was uppermost in the thoughts of contemporary politicians. And, in fact, economic development was a subject with which Sismondi dealt widely in his works, although it is not expressed in modern terminology.

Although it is in this article that Sismondi is examined first as a theorist of development, he had already been recognised as such. Not long ago, for example, in Sismondi's first book – *Tableau de l'agriculture toscane* – Pappé glimpsed traces of the method and conclusions of modern development economists, putting Sismondi alongside Gunnar Myrdal and his *Asian Drama*.<sup>29</sup> We agree both with Pappé's putting these works alongside each other and with his observations, but it would be appropriate for him to study them in detail, as he proposed, broadening his analysis to include Sismondi's other works, in order to ascertain whether they have the same characteristics which he pointed out, albeit concisely, in the *Tableau*. And, although in this article we cannot dwell on all the quotations which are relevant in this respect, it is clear that in the *Tableau*, per-

<sup>27</sup> Historiography is in general agreement that the English "Industrial Revolution", which began in the mid-eighteenth century, was already over by the 1830s. Cf. on this, T. S. Ashton, *La Rivoluzione Industriale (1760-1830)*, (edition in Italian, Bari: Laterza, 1953) and the bibliography quoted therein.

<sup>28</sup> On these issues may I refer the reader to L. De Rosa, *Storia del Cartismo*, (Naples: Pironti, 1967), 2<sup>nd</sup> edition.

<sup>29</sup> Cf. H. O. Pappé, "Some Notes on Sismondi's *Tableau de l'Agriculture Toscane*", in *Genève et l'Italie*, (Geneva-Paris: Librairie Droz, 1969), p. 233.

haps, even more than in his other works, Sismondi proves to be a development theorist.<sup>30</sup>

## 2.

It has been said that, in *De la richesse commerciale*, Sismondi's handling of the subject reflects Smith's. From a certain point of view this also holds true for the theory of development.<sup>31</sup> There would seem to be many points of contact between the theory of development in Adam Smith and the theory of development in Sismondi: we find, again, Smith's idea that man with his work, his enterprise and his love of accumulating possessions is at the basis of economic development. Sismondi writes: "What would the earth be? What would its inhabitants be without the accumulated work of man?" And he explains that "it is only when men began to supply their needs by means of trade, and every man, doing a particular kind of work, supplied others with what he produced best, that their ambition stretched beyond the present hour and that they produced with their labour more than they actually wanted to consume".<sup>32</sup> Thus, we find that, in both Sismondi's and Smith's books, trading, the accumulation of capital and the division of labour promote and propel development.<sup>33</sup>

Sismondi could not avoid seeing that Smith's book had "after recent observation proposed economic development as a subject for general analysis" and had, in fact, stated that its aim was "development: what increases or diminishes the wealth of nations", shifting "from the analysis of the essential structural relations of a trading economy where there is a division of labour to the state's economic functions and the principles of taxation".<sup>34</sup>

In Smith's book, however, the reader finds "an important contribution to the analysis of economic growth, discussed in terms of general principles rather than in terms of an economic growth theory",<sup>35</sup> whereas in *De la richesse com-*

<sup>30</sup>Despite his judging Sismondi harshly at times, Schumpeter (*op. cit.*, II, p. 602), too, is forced to recognise that "from the time of the Mercantilists, we can compile a list of analytic works that contain dynamic elements, either rudimentally or without any system. Even Ricardo is included in this list. However, Sismondi's great merit is that he used a plan based on periods: he was the first to use that particular dynamic method called period analysis. Moreover, he saw clearly the difference which that represents, and in particular the perturbations, the differences and the jolts which stem from the fact that economic life is connected with sequences, each one of which is determined by the past and, in its turn, determines the future".

<sup>31</sup>On the development theory in Smith, see Y. S. Brenner, *Theories of Economic Development and Growth*, (London: Allen and Unwin), p. 1966, n. 28.

<sup>32</sup>Sismondi, *De la richesse commerciale*, *op. cit.* I, pp. 21-22.

<sup>33</sup>Cf. Sismondi, *De la richesse commerciale*, I, p. 18 *et seq.* On the importance of specialisation and the division of labour in Smith's development theory cf. Brenner, *op. cit.*, p. 33.

<sup>34</sup>Cf. L. Robbins, *La teoria dello sviluppo economico nella storia del pensiero economico*, (edition in Italian, Turin: UTET, 1970), pp. 11-12.

<sup>35</sup>Cf. J. M. Letiche, "Adam Smith and Ricardo on Economic Growth", in B. F. Hoselitz (ed.), *Theories of Economic Growth*, (New York: The Free Press, 1960), p. 65.

*merciale* the emphasis is on trade issues. In fact, it is explicitly stated that the book intends to analyse Smith's principles of political economy "applied to the legislation of commerce". And so we have an attempt to suggest a theory of commercial development, not in the mercantilist sense, but in the sense of general economic development. Indeed, from the very first pages Sismondi puts forward the case of both a closed economy and an open one, and points out that all economies, even those with productive foreign trade – the fundamental aim of the Mercantilists – can be stationary or in decline, just like closed economies or economies with foreign trade in deficit.<sup>36</sup>

When, then, does foreign trade favour economic advancement and development? The answer is that this happens when a nation's expenses exceed its income. Sismondi specifies that if different nations "have the same consumption, each of these nations can progress to a greater or lesser degree, and can enjoy credit to a greater or a lesser extent, according to whether their industry grows or slackens and depending on how much they are in credit or in debt to foreigners".<sup>37</sup> On its own, then, increasing foreign trade is not enough to ensure economic development. From this point of view, production and a country's terms of trade with other countries are determining factors. The condition for all economic progress is, however, the wages fund,<sup>38</sup> that is, that part of the national wealth which is strictly necessary to support productive workers, landowners and entrepreneurs.<sup>39</sup> Since the wages fund has to be taken out of the national product, and is generally advanced by the capitalist, it plays the same role as seeds do in agriculture, and, naturally, "it is in proportion to what the peasant sows every year, and to what the capitalist advances every year as the wages fund, that both the peasant and the capitalist have to expect a smaller or greater harvest, the influence of other circumstances being equal".<sup>40</sup> From this it follows that "an increase in the wages fund is a sign of growth for a nation".<sup>41</sup> However, increase should not be understood as an increase in the price of essential goods, but as the greater quantity of these goods needed when unproductive, lazy workers decide to work productively.<sup>42</sup> Of course, the productive classes have, in turn, expenses, both to satisfy life's basic needs and to

<sup>36</sup> Sismondi, *De la richesse commerciale*, *op. cit.*, I, p. 104.

<sup>37</sup> *Ibid.*, I, p. 100.

<sup>38</sup> *Ibid.*, I, p. 109.

<sup>39</sup> By productive workers Sismondi means those of particular social classes i.e. as well as workers, the owners of movable wealth who lend their capital (receiving interest in exchange) and the entrepreneurs who borrow this capital (receiving in exchange the profits or what they manage to get from the workers). By unproductive workers Sismondi means, on the one hand, magistrates, men of letters, scientists and the military, and on the other hand, beggars, prostitutes, thieves and a multitude of intermediate activities (Cf. Sismondi, *De la richesse commerciale*, *op. cit.*, vol. I, pp. 86, 88, 91, 92).

<sup>40</sup> *Ibid.*, I, p. 88.

<sup>41</sup> *Ibid.*, I, p. 88.

<sup>42</sup> *Ibid.*, I, pp. 89-90.

support the unproductive classes.<sup>43</sup> Their income can be the same as their expenses, or it can be more than their expenses or less than their expenses. The result is thus the same, favourable or adverse. The result is comparable when consumption equals production: in this case "the nation will have neither lost nor won: an equal wages fund will set in motion equal labour, and income will be the same". The result is favourable if the expenses of the three productive classes are less than their income: this can happen only when the wages fund they advance in a year is higher than they advanced the year before. Now "a higher wages fund will set in motion more work this year, and next year's income will be bigger" so that "if every year the economy is based on income, the following years' income will increase progressively, and the nation's wealth will always increase, without there being any need for foreign trade". Lastly, the balance between income and expenses will be adverse "if the expenses of the three productive classes are higher than their income"; and since "every year they will advance a smaller wages fund", every year income will be lower.<sup>44</sup> This theory, formulated for a closed economy, proves valid for an open economy, too, if the expenses of the productive classes are replaced by the volume of imports, in the sense that a nation develops, remains stationary or regresses according to whether its production, minus the wages fund which it advances, and plus the loans it grants, is greater, the same or less than the volume of its imports and the amount of money loaned.<sup>45</sup>

### 3.

The mechanism just described represents a considerable and original contribution towards the theory of development, and Sismondi himself stresses its novelty.<sup>46</sup> Yet the problem of calculating the wage fund still remains, since the greater or lesser surplus, i.e. the progression or the regression of the economic system, depends on its level or scale. Sismondi himself recognised the difficulty of solving it, specifying that "in determining what is necessary for life there is a certain latitude that makes it difficult, both in one's own country and in one's own time, to trace the demarcation line between the wage fund and surplus".<sup>47</sup> And yet without solving it he goes on to stress that development "is inevitably accompanied by social inequality"<sup>48</sup> especially because bringing about a greater division among professions makes an accumulation of wealth possible, whose transformation into fixed capital (machines, goods, buildings) or movable capital divides society into workers or owners of capi-

<sup>43</sup> *Ibid.*, I, p. 35.

<sup>44</sup> *Ibid.*, I, p. 99.

<sup>45</sup> *Ibid.*, I, p. 99.

<sup>46</sup> *Ibid.*, I, p. 99.

<sup>47</sup> *Ibid.*, I, p. 324.

<sup>48</sup> *Ibid.*, I, p. 36.

tal, which are categories of different opposing economic forces. This accumulation of wealth among the productive classes is in relation to the resistance put up by workers, since those who live off profits can increase them "by the surplus of the labour product that the worker leaves them in exchange for their investments".<sup>49</sup>

So it is quite common for the accumulation of wealth to be made up of wages, understood as unpaid surplus or as limitations of consumption. Thus in *De la richesse commerciale*, that is to say several decades prior to its appearance in *Nouveaux Principes*, Sismondi acknowledges the main role which consumption plays in the development process. "Consumption does encourage production" he claims; and in his opinion a disproportion between consumption and production cannot be maintained for long in a nation, unless it is a question of small territories, as was the case of Geneva and the Hanseatic and imperial cities. His opinion, in fact, is that "a nation does not get rich unless the private individuals who compose it get rich".<sup>50</sup>

Sismondi was convinced that the process of development thrived on savings. His analysis sets out to show that a country may develop economically only if it saves a part of its earned income and invests it in production activity; wherever this "spirit of order" gives way to the "love of pleasure and ostentation" that nation would cease to progress towards prosperity.<sup>51</sup>

To avoid stagnation or, worse still, recession, the contribution made by capital takes on considerable relevance in Sismondi's thinking. "All work" – he claims – "is the fruit of capital; thus it would be useless to increase a nation's need of the former, unless the latter did not increase at the same time, which is the only factor that is able to summon industrious people to work".<sup>52</sup>

Later James Mill was to say that capital influences industry, and yet it is interesting to note that, for Sismondi, capital is also translated into greater skills and technical knowledge. "The nation", he writes, "can be better enriched by having a mechanic at its disposal rather than ten or a hundred unskilled workers".<sup>53</sup> Moreover, of the two categories into which capital may be divided, either fixed capital or circulating capital, Sismondi claims that it is movable capital that permits and influences development. "People do not labour at all", he emphasises, "in proportion to the size of the fields, the number of factories or workers, but in proportion to the movable capital".<sup>54</sup> On its greater or lesser availability depends the level of the other economic inputs.

<sup>49</sup> *Ibid.*, I, p. 91. On the importance of Sismondi's contribution to wage theory cf. Schumpeter, *op. cit.*, II, p. 811.

<sup>50</sup> Sismondi, *De la richesse commerciale*, *op. cit.*.

<sup>51</sup> *Ibid.*, I, p. 115.

<sup>52</sup> *Ibid.*, I, p. 59. On this point of differences with James Mill, cf. also what Schumpeter writes (*op. cit.*, II, p. 782).

<sup>53</sup> Sismondi, *De la richesse*, p. 47.

<sup>54</sup> *Ibid.*, I, p. 60.

The more movable capital there is in circulation, the higher the wages,<sup>55</sup> and the lower the interest rate.<sup>56</sup>

From this viewpoint Sismondi goes on "to consider the fall in interest rate as a sign of national prosperity".<sup>57</sup> He is fully aware, however, that no reduction in interest rates may also mean – as in France from Colbert to the Revolution when the rate remained at 5% – "a wider market, vaster trade... a more active industry".

Indeed, he recognises that, when an economy has not yet reached "the glory of prosperity, with every day that passes new branches of industry and trade open up for it, and no matter how much its capital goes on increasing, its needs grow at an even faster rate." In this regard he quotes the case of the United States of America where the interest rate had not fallen but continued to increase.<sup>58</sup> In his approach to the economy, Sismondi realises that there are certain factors which influence the amount of circulating capital available. He recognises, for example, that "the quantity of capital a nation has in circulation depends on its current state of wealth".<sup>59</sup> Likewise he acknowledges – and it is this that proves the complexity of his theory – that the accumulation of movable capital and its destination towards financing development may be reduced by a multiplicity of causes. It may be reduced, for example "if religion considers a loan with interest as usury, or if the government does not protect the lenders, or if the recovery of their loans is not facilitated by the administration of a rapid and efficient form of justice, or if property is badly insured, or if trade is exposed to frequent damage that can ruin both lenders and borrowers at the same time, etc".<sup>60</sup>

Sismondi's concept of development is even better exemplified by his analysis about the movement of capital. In an economy in which there is an accumulation of capital, once all the domestic sectors have been saturated the capital is directed towards the countries which need it, absorb it to the point of saturation, whence it is directed elsewhere. "At the beginning", he specifies, "the direction of capital is from outside to inside; foreign nations lend it almost without knowing what capital will be necessary for revitalising the industry of the countries they lend to, but when this industry increases the first movement of capital stops, trade becomes saturated with it, and soon the capital goes in the opposite direction, and the greater the prosperity, the more rapidly the capital moves from inside to outside".<sup>61</sup>

This happens because "capital, like capitalists, is by no means bound to the country which produced it";<sup>62</sup> we thus arrive at the globalisation of capital.

<sup>55</sup> *Ibid.*, I, p. 62.

<sup>56</sup> *Ibid.*, I, p. 74.

<sup>57</sup> *Ibid.*, I, p. 77.

<sup>58</sup> *Ibid.*, I, pp. 77-79.

<sup>59</sup> *Ibid.*, I, p. 226.

<sup>60</sup> *Ibid.*, I, p. 75.

<sup>61</sup> *Ibid.*, I, p. 226.

<sup>62</sup> *Ibid.*, I, p. 268.

Like several modern economists, Sismondi ascribes a determining influence to industrialisation and, like Smith, he considers the division of labour and its specialisation as the greatest revolution for development.<sup>65</sup> This division leads to an increase in productivity and hence more opportunity for production and capitalisation; and for Sismondi "increase in capital is almost always the first reason for creating a new factory and a good market for its products";<sup>64</sup> the first cause for creating and perfecting any kind of machine whereby human work is facilitated and multiplied".<sup>65</sup>

#### 4.

It is clear that Sismondi's analysis concerns large economic aggregates and to a considerable extent derives from Smith and Canard, the latter having translated and disseminated Smith's work in France. Sismondi, in fact, admitted his debt towards Smith, even if he sometimes wished to distance his ideas from those of Canard. However, it was by absorbing and then adapting Smith's ideas to the economic situation in France, as Sismondi himself writes in the second part of *Richesse commerciale*, that he produced a major work containing several features of surprising vigour and originality.

To an economy undergoing transformation like that of France, Sismondi offered criteria and guide-lines for "a strategy for development", to use modern economic parlance,<sup>66</sup> inspired by the more advanced English economy. In order to stimulate development in France and in Geneva, which, following the annexation decreed by the "Revolution", now formed part of France, Sismondi claims that "one of the first duties of the legislator is to guarantee national finance and secure income for the government".<sup>67</sup> The problem is to do so without hampering development. Hence, he carried out a critical analysis of the effects that the various types of taxes in France might have and a list of the taxes that the government might introduce without harming the nation's development.<sup>68</sup>

But, once the French state had been assured of its income, how could it encourage industrial development? Sismondi argues that development could happen through the adoption of a protectionist customs policy, as the mercantilists had claimed, and he hastened to make a careful examination of all the industries in most French departments, which, incidentally, was one of

<sup>65</sup> *Ibid.*, I, p. 262.

<sup>66</sup> *Ibid.*, I, p. 256.

<sup>67</sup> *Ibid.*, I, p. 37.

<sup>68</sup> A. O. Hirschmann, *La strategia dello sviluppo economico*, (Italian trans., Firenze: La Nuova Italia, 1968).

<sup>69</sup> Sismondi, *De la richesse commerciale*, *op. cit.*, II, pp. 1-2.

<sup>70</sup> *Ibid.*, II, pp. 82-84 *et seq.*

the very first examples of an economic survey.<sup>69</sup> He concluded that replacing customs with simple forms of taxation "would close no more than 4 or 5 miserable factories that had long been declining and were already on the point of bankruptcy" and would, at the same time, enable "great amounts of foreign capital to replenish French industries and reduce mercantile profits and interest rates".<sup>70</sup>

The French government could stimulate the industrial development of the country in another way also, that is to say, by lending capital to industrialist entrepreneurs at low interest rates. For example, the Trade Board of the chief town of each department, disposing of a sum allotted for this specific purpose, could examine the requests made by individual applicants, who wished to open new factories, and grant loans without requiring interest for the first five years (these procedures seem to reflect those used today to regulate 'soft financing' in southern Italy). Hence, factories already operating elsewhere might be located in France and other industries might be started up by using the same technical innovations.<sup>71</sup>

Still on the theme of industrialisation, another type of intervention would be to open new apprenticeship schools, where "all artisans could learn how to put their skills at the disposal of the young, lighten their spirits and at the same time take advantage of the work carried out by them".<sup>72</sup>

Along with these proposals regarding what might be useful for development, Sismondi was also concerned with giving advice, as Adam Smith had done, regarding what should not be done, and emphasising the negative effects that might be produced by taking wrong decisions, ever mindful of his consolidated English experience. For example, with reference to British monopolies, Sismondi did not wish for a similar practice to be adopted in France. The French legislator, on the other hand, should rely on the fact that "the interest of the consumer is equal to the interest of the nation, and that the related free-trade price is the one that better suits all classes of citizens".<sup>73</sup> However, Sismondi is not a dogmatic nor an abstract theorist. His analysis is much less clear-cut than theory permits. He is opposed to the maintenance of trade companies and their monopolies, but at the same time he admits that, in some cases, the latter may prove to be favourable for development. However, concessions should be limited to the time necessary for

<sup>69</sup> Sismondi was not new to this type of analysis of economic situations. He had already carried out a careful analysis of the resources and economic and social prospects of the Geneva region, which remained unpublished for more than 170 years, and has now been published by Pappe: *Sismondi, Statistique du Département du Léman*, publiée d'après le manuscrit originale présentée par H. O. Pappe, (Genève: Alex Jullien, Libraire, 1971), pp. 61-201.

<sup>70</sup> Sismondi, *De la richesse commerciale*, *op. cit.*, II, pp. 215-248.

<sup>71</sup> *Ibid.*, II, pp. 246-248.

<sup>72</sup> *Ibid.*, II, p. 267.

<sup>73</sup> *Ibid.*, II, pp. 141-142.

the company to recover the outlay paid for setting up the business.<sup>74</sup> On the whole, like Smith, he believes that it is absurd to promote development by founding colonies<sup>75</sup> which, in fact, tend to impoverish the coloniser. He suggests that the government should grant the French colonies independence in trade:<sup>76</sup> this would be of great help for the development of the colonies, the mother country itself and the colonies of other countries, including the Spanish Crown.

Sismondi puts forward to the French government the same criteria of freedom of trade regarding relationships between individual nations, being convinced that free-trade brought advantages to both the contracting nations. To prove this he points to the economic progress made in Switzerland as a consequence of the liberalisation of trade,<sup>77</sup> and concludes "it is not in the ruin of our neighbours that the advantage of our trade is to be looked for".<sup>78</sup>

## 5.

Sismondi is also the theorist of development in *Nouveaux principes*. If in *De la richesse commerciale* the wish to help the economic development of France was implicit, it was no less so in *Nouveaux principes*. On concluding the work he expresses the hope that if his "reflections cannot be useful to England, given its advanced state of economic transformation, [they may at any rate be sol] to humanity and his own fellow citizens".<sup>79</sup>

Sismondi is thus clearly convinced of having indicated the path to development and of having suggested how to correct any development in progress.

We might dwell further on this point. First of all, he believes he has stressed the dangers of English development, that is to say, he has shown what path of development should not be followed, and in fact warnings of this kind are to be found throughout the work. For example, he warns that it is a great mistake to increase production by counting on unlimited consumption;<sup>80</sup> that it is a mistake to oppose every form of government intervention;<sup>81</sup> that it is wrong to confuse annual production with income;<sup>82</sup> that it is necessary to avoid every fluctuation in the value that serves to measure all others, that is to say, money;<sup>83</sup> that it is a mistake to believe in increasing national capital through

<sup>74</sup> *Ibid.*, II, pp. 317-318.

<sup>75</sup> *Ibid.*, II, p. 332.

<sup>76</sup> *Ibid.*, II, p. 369.

<sup>77</sup> *Ibid.*, II, pp. 411 *et seq.*

<sup>78</sup> *Ibid.*, II, p. 445.

<sup>79</sup> Sismondi, *Nouveaux principes*, *op. cit.*, I, p. 368.

<sup>80</sup> *Ibid.*, I, pp. 75-76.

<sup>81</sup> *Ibid.*, I, p. 200.

<sup>82</sup> *Ibid.*, II, p. 366.

<sup>83</sup> *Ibid.*, II, p. 57.

banks;<sup>81</sup> that it is useless to keep money in circulation on the frontiers;<sup>82</sup> that it is necessary to avoid increasing the number of issuing banks and issuing small banknotes which would finish up by eliminating metallic money;<sup>83</sup> that the circulation of paper money always ends with general bankruptcy,<sup>84</sup> which you can only escape from through appropriate intervention, and by transforming it into consolidated debt.<sup>85</sup>

He continues: that taxes must never deprive the citizen of his requirements, either as an owner or a wage-earner;<sup>86</sup> that the inequality of the land tax may be rectified only through tax relief and not through general reform;<sup>87</sup> that it is a terrible calamity when births exceed the increase in incomes;<sup>88</sup> that the interest of proprietors is not at all that of the state, since they are only interested in the net product, while the state only sees the gross product, and that the increase in the net product at the expense of the gross product may be a great national calamity.<sup>89</sup>

Just as in *De la richesse commerciale* so also in *Nouveaux principes* these warnings are accompanied by a series of prescriptions that must be observed, so that development is not as unbalanced as in Great Britain, but is well balanced and remains in keeping with the citizens' well-being and happiness. To achieve this harmonious development Sismondi believes that the government must ensure that everyone is able to avail themselves of the advantages that wealth brings with it;<sup>90</sup> and that society must protect the weakest, since it exposes men to an unfair struggle.<sup>91</sup> Moreover, every good produced must be consumed;<sup>92</sup> the national income must regulate national expenditure;<sup>93</sup> the legislator must control and discipline monopolies;<sup>94</sup> property must pass into the hands of those who will make the best use of it;<sup>95</sup> machines must be considered useful only when their introduction is translated into a greater well-being for the community.<sup>96</sup> In addition the government must at times stimulate commercial activity.<sup>100</sup>

<sup>81</sup> *Ibid.*, II, p. 91.

<sup>82</sup> *Ibid.*, II, p. 104.

<sup>83</sup> *Ibid.*, II, p. 131.

<sup>84</sup> *Ibid.*, II, p. 146.

<sup>85</sup> *Ibid.*, II, p. 149.

<sup>86</sup> *Ibid.*, II, p. 164.

<sup>87</sup> *Ibid.*, II, p. 196.

<sup>88</sup> *Ibid.*, II, p. 256.

<sup>89</sup> *Ibid.*, II, pp. 152-153.

<sup>90</sup> *Ibid.*, I, p. 9.

<sup>91</sup> *Ibid.*, I, p. 201.

<sup>92</sup> *Ibid.*, I, p. 83.

<sup>93</sup> *Ibid.*, I, p. 113.

<sup>94</sup> *Ibid.*, I, p. 202.

<sup>95</sup> *Ibid.*, I, p. 269.

<sup>96</sup> *Ibid.*, I, p. 348.

<sup>100</sup> *Ibid.*, I, p. 458.

In the final pages of his work Sismondi sums up the type of development that he pursued: the industry of towns, like that of the countryside, should be divided among a large number of independent enterprises, and not united under a single leader commanding hundreds and thousands of workers; the ownership of the factories should be divided among a large number of medium-level capitalists and not concentrated in the hands of a single man who is master of several millions; new industries need to be promoted, but in all of them, in both new and old, the industrious worker should have the possibility – indeed almost the certainty – of becoming his master's partner; the implementation of these reforms was required through the legislation and the application of an efficient system of justice between master and worker; there should be no obstacle to the accumulation of capital; firm action had to be directed towards increasing partible inheritance; every effort should be made to tie the workers to the company's profits, in order to interest them in ownership and the economy and to transform them into men and citizens.

Yet it is not so much this preoccupation with balanced development, which has given rise to many misunderstandings – attracting strong criticism of Sismondi's work from Marx and Lenin and all the Soviet school – that renders *Nouveaux principes* a work of great interest from the viewpoint of the theory of development. More than the positive and negative precepts which can be found in the work, what distinguishes *Nouveaux principes* is its analysis of the process of development, an analysis interwoven with economic facts taken from vast historical and contemporary experience, in which the dynamic element is used to record the good and bad effects of individual actions, institutions or measures. Seen from this viewpoint every part of the work is a chapter on the theory of development. In the opening pages a Robinson Crusoe model of development is hypothesised, that "of the solitary man, master of a desert island" who may be poor and may become rich if he uses his own forces and those of the environment in which he lives in a certain way, according to certain criteria, on the basis of certain time sequences.

Clearly, it is to be borne in mind that Sismondi was writing during the first twenty years of the eighteenth century, when most of the phenomena that characterise the modern world of development were still unknown. Yet it is for this very reason and the fact that he did not have all the development phenomena at his disposal, and was forced to base his reasoning on a real model, namely the English one, which was itself not yet fully mature, that his contribution is an outstanding achievement. We may, for example, take the pages he devotes to the process of agricultural development, emphasising the role played by capital, institutions, labour, land contracts, and the government's land, agricultural and tax policies; or the pages he devotes to commercial development, with its implications for customs policy, price policy, monopolies, income policy and interest rates. Let us also examine those pages relating to problems associated with monetary and bank circulation, which is not con-

sidered in itself but in relation to the problems of economic and commercial development, of state finance and the public debt. His analysis of crises and of how they are affected by the behaviour of producers and, above all, by the behaviour of the market, is of fundamental importance; indeed, it is perhaps one of the first such analyses ever to have been undertaken and is certainly more complete and incisive than that of Say. His theory of super credit,<sup>101</sup> as an aggravating, if not a determining, factor in the maturing of economic crises, has now become a classic, just as his opinion has almost become a commonplace that "the skill of bank directors consists in knowing how to judge such commercial crises" and in acting in such a way as to avoid increasing their number or getting involved in them.<sup>102</sup>

There is still another point that deserves mentioning. Leaving aside the acceptance or otherwise of his opinions, what defines him as theorist of development is the relationship between population and resources. In an age – between the end of the eighteenth century and the beginning of the nineteenth century – dominated by the darkest pessimism about the destiny of mankind, with Ricardo and his school, who, far from disputing them, had in fact accepted Malthus' conclusions regarding the divergence between the geometrical progression of population growth and the arithmetical growth of resources, Sismondi is the only one to claim that "the population has never reached the limit of subsistence and will probably never reach it". This was a very risky prediction for those times, and one which arose from his conviction that the imbalance did not have natural causes but socio-economic causes; if anything it was subsistence that grew in geometrical progression and the population in arithmetical progression. The imbalance arose from the fact that "all those who needed subsistence had neither the means nor the right to demand it from the land; whereas those to whom the laws had granted a monopoly over land had no interest in asking them for all the subsistence that they could provide". Thus, according to Sismondi, it is not nature but the will of man – "not the will of every man, indifferently, but the will of the landowner" –<sup>103</sup> which curbs the increase in subsistence, and thus brings about the imbalance Malthus complained of.

But let us conclude. The writings in which Sismondi advances a theory of development are not limited to the three works briefly examined here. A concept of economic development is also outlined in the economic essays Sismondi published in 1837, almost at the close of his life, a collection of writings that had already in part appeared between 1821 and 1835, in journals such as *Revue Encyclopédique*, *Revue d'économie politique*, *Bibliothèque universelle de Genève*, or remained unpublished. Whether devoted to the ques-

<sup>101</sup> Sismondi, *Nouveaux principes*, *op. cit.*, II, pp. 73 et seq.

<sup>102</sup> *Ibid.*, II, p. 135.

<sup>103</sup> Sismondi, *Etudes sur l'économie politique, 1837-38*, (Bruxelles), 2 vols.

tion of Irish agriculture or to the condition of Tuscan farmers, these writings also reiterate and clarify aspects and problems of development.

Like so many men deeply involved in the issues of his day, Sismondi, who was firstly an historian and secondly an economist, could not remain untouched by what was the great aspiration of continental Europe during those years of momentous political events and social and economic upheavals: to reach the level of economic development reached by Great Britain. Sismondi had begun to observe this development in Great Britain as far back as 1793-94,<sup>104</sup> when scarcely twenty years old, and was to go on studying it throughout the rest of his life, master as he was of the English language. The English scholar Henderson has written a book in which it is shown how English economic and social progress was spread throughout Europe.<sup>105</sup> Sismondi offered some very useful guidance and warnings about this transfer. The subsequent industrial and economic development of Western Europe is thus to a certain extent associated with the name of Charles Simonde de Sismondi.

<sup>104</sup> Cf. L. De Rosa, *G. C. Sismondi e la sua opera*, *op. cit.*, pp. 20-23.

<sup>105</sup> W. O. Henderson, *Britain and Industrial Europe. 1750-1870*, (Liverpool: University Press, 1954).