

Mandeville and mercantilist notions

Jacob Viner's mistake

From the 18th century up till now, Bernard Mandeville, though not being an economist, has been a remarkable person in the writings of several important economists, such as Adam Smith, Keynes and Hayek.

One of them was Jacob Viner (1892-1970), who initially saw Mandeville as a proponent of economic *laissez faire*, but afterwards distanced himself from this view and understood that Mandeville had to be looked upon as a mercantilist.

Is mercantilist policy about power or wealth; or both? Whatever wealth may imply, at the end of the day there seems to remain a simple matter of fact between individuals, and so between pools of individuals with shared interests, for instance nations: *who pays determines*.

In this respect, mercantilism is timeless, and now prevailing as ever.

Mandeville's *Grumbling Hive* shows what will happen to mercantilist societies, if endeavours to deform human nature of individuals would be successful.

In his introduction to Jacob Viner, *Essays on the intellectual history of Economics* (1991), Douglas A. Irwin explains how Viner (1892-1970) dealt with his obvious mistake and whom he thought to be blamed.

His story (pp. 21-24) follows below.

Viner later pursued the development of the laissez-faire doctrine with reference to the work of the controversial social commentator Bernard Mandeville, whose *The Fable of the Bees* (1714) created a sensation for its irreverence in expounding an amoral theory of societal interactions. Viner's *Studies* briefly described Mandeville as a laissez-faire and individualist thinker who paved the way for Adam Smith.⁵³ Viner subsequently repudiated this position in a short introduction to a 1953 reprint of Mandeville's *A Letter to Dion* (1732), an introduction which became one of Viner's more widely debated contributions to intellectual history.

Viner maintains in the introduction to *Dion* that Mandeville's economic doctrine was "almost universally misinterpreted": "Many scholars, including economists who should know better, regard Mandeville as a pioneer expounder of laissez-faire individualism in the economic field and as such an anticipator of Adam Smith." On the contrary, Viner argues, Mandeville "was a convinced adherent of the prevailing mercantilism of his time" who "in contrast to Adam Smith, put great and repeated stress on the importance of the role of government in producing a strong and prosperous society, through detailed and systematic regulation of economic activity." Mandeville's phrase "Private Vices, Publick Benefits" was, according to Viner, commonly misconstrued to imply laissez faire, when in fact "Mandeville repeatedly stated that it was by 'the skilful Man-

⁵³ *Studies*, p. 99.

agement of the clever Politician' that private vices could be made to serve the public good, thus ridding the formula of any implication of laissez-faire."⁵⁴

At least two respected scholars of economic thought believed Viner to be mistaken in this interpretation of Mandeville. Nathan Rosenberg presents Mandeville not as an advocate of either intervention or laissez faire exclusively, but as one who suggested that sound political leadership could create a social and legal framework that would allow the individual pursuit of gain to generate public benefits. "'Dexterous Management' is not to be taken as the advocacy of a policy of continuous government intervention in domestic market processes," Rosenberg argues, "rather, it is a way of stating that the welfare of society has been most advanced by the introduction and diffusion of laws and institutions which best utilize man's basic passions and which channel his energies into socially-useful activities."⁵⁵ In a 1966 British Academy lecture, Friedrich Hayek agreed with Rosenberg, suggesting that Viner was misled by Mandeville's repeated use of the phrase "dexterous management by which the skillful politician might turn private vices into public benefits" to exaggerate the extent of his endorsement of intervention in economic affairs.⁵⁶

Viner never published a reply to these points but responded to both Rosenberg and Hayek through personal correspondence. To Rosenberg, Viner refused to quarrel over whether Mandeville was an advocate of "mercantilism" or "laissez-faire" because the category he appropriately belonged to was a matter of degree and of one's definition of terms. He insisted, however, that it was a mistake to "assign narrow limits to the range and scope of the interventionism covered by 'dexterous management.'" As to his earlier statement in the *Studies*, Viner admitted: "I unreservedly confess sin as of 1937. I can explain it, though not excuse it, by the fact that I had not then read Mandeville carefully except for specific foreign trade content, and that I allowed myself to be unduly influenced by Kaye. . . . I should have 'known better' even in 1937, but I should explain that my rebuke was directed only to those who had read Mandeville with some care and published their interpretation."⁵⁷

⁵⁴ In Chapter 14 below, Viner criticized Joseph Schumpeter for embracing the view that Mandeville was an early advocate of laissez faire, a view which Viner said was "about as wrong as it could be."

⁵⁵ Nathan Rosenberg, "Mandeville and Laissez-Faire," *Journal of the History of Ideas* 24 (April–June 1963): 183–96, quote on p. 188. Rosenberg made a similar argument with reference to Adam Smith in his "Some Institutional Aspects of the *Wealth of Nations*," *Journal of Political Economy* 68 (December 1960): 557–70.

⁵⁶ F. A. Hayek, "Dr Bernard Mandeville," in *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: University of Chicago Press, 1978), especially pp. 258–60.

⁵⁷ Letter to Nathan Rosenberg, July 23, 1963, Jacob Viner papers. The reference to Kaye is to F. B. Kaye's introduction to the Oxford edition (1924) of *The Fable of the Bees*. Kaye lauds Mande-

In reply to Hayek, Viner was unrepentant: "As things stand now, however, I see nothing to withdraw, to amend, or to justify, in what I have written about Mandeville except for one pre-1940 mistake, arising out of my following Kaye." Viner thought that "Mandeville's invocation of 'the wonderful power of political wisdom, by the help of which so beautiful a machine is raised from the most contemptible branches' breathes the spirit of his whole approach" and he could not understand why Mandeville's phrase "dexterous management of the skilful politician" should be thought to have no meaning.⁵⁸

Subsequent studies by other historians of thought have noted this controversy and have set forth different interpretations of Mandeville. One view is that Mandeville was a transitional figure whose thought encompassed both mercantilist and *laissez-faire* elements; another view denies that Mandeville should even be seriously considered as an economic theorist or thinker.⁵⁹ Indeed, both Viner and Hayek agreed that Mandeville's economic thought was undistinguished; for Viner it was "eccentric and archaic," for Hayek it was "rather mediocre, or at least unoriginal."⁶⁰ Both appreciated Mandeville not for his contribution to economics but for his literary skill and his insights into society. "Mandeville commands my admiration," Viner once stated, "partly for the evolutionary character of his conjectural history, but mainly for the skill, subtlety, and entertainment he demonstrates in his satirical efforts."⁶¹ Regarding the former, Viner lent his qualified agreement to Hayek's praise of Mandeville's evolutionary theory of social institutions. As Viner explained to Rosenberg, Hayek "has emphasized and praised (rightly, I think) Mandeville's stress on the evolutionary character of major social institutions, but has derived from this (wrongly, I think) support for *laissez-faire* in general, and perhaps also interpreted it as evidence of Mandeville's *laissez-faire* thinking."⁶²

ville as an important *laissez-faire* thinker who influenced Adam Smith. Viner attributed his failure to acknowledge his earlier error to the index of the *Studies*, which makes no reference to Mandeville.

⁵⁸ Letter to F. A. Hayek, January 23, 1967, Jacob Viner papers.

⁵⁹ Alfred F. Chalk, "Mandeville's *Fable of the Bees*: A Reappraisal," *Southern Economic Journal* 33 (July 1966): 1–16, first put forth the notion that Mandeville was a transitional figure, a view supported by Terence Hutchison, *Before Adam Smith. The Emergence of Political Economy, 1662–1776* (New York: Basil Blackwell, 1988), pp. 123–26. By contrast, M. M. Goldsmith, *Private Vices, Public Benefits: Bernard Mandeville's Social and Political Thought* (New York: Cambridge University Press, 1985), pp. 124ff, argues that Mandeville was "more a theorist of the spirit of capitalism than of its economic structure." See also Thomas A. Home, *The Social Thought of Bernard Mandeville: Virtue and Commerce in Early Eighteenth-Century England* (New York: Columbia University Press, 1978), pp. 66ff.

⁶⁰ Letter to Gordon J. Vichert, December 2, 1969, Jacob Viner papers; and Hayek, "Dr. Bernard Mandeville," p. 250.

⁶¹ Letter to Gordon J. Vichert, December 2, 1969, Jacob Viner papers.

⁶² Viner first stated his agreement with Hayek in the Wabash lectures. His qualifications to Hayek's analysis were more clearly put elsewhere. "I admire as a great achievement Mandeville's evo-

As to Mandeville's entertainment value, Viner downplayed Mandeville's rigorist sincerity and reminded readers of the satirical aspect of his writings which F. B. Kaye ignored.⁶³ In addition, Viner noted Mandeville's intellectual debt to the Jansenists, particularly Pierre Nicole, which again had gone relatively unnoticed. Unfortunately, Viner's discussion of Nicole's influence on Mandeville was almost entirely excluded from the published introduction because of space limitations. The five excised pages, which discuss both the similarities and the differences in the thought of Nicole and Mandeville, are published here for the first time.

THE DOCTRINE OF LAISSEZ FAIRE

Viner traced the development of the laissez-faire doctrine further in his Henry Simons lecture, "The Intellectual History of Laissez Faire," given at the University of Chicago Law School in 1959. Viner proposed to explore critically the "logical or rhetorical nature" of the arguments or the "art of persuasion" used to gain acceptance of laissez faire. In this essay as in his others, Viner equated laissez faire with the principles advocated by the Physiocrats and Adam Smith—namely, limiting governmental interference in society to establishing commutative justice, maintaining national defense, and creating certain public works inappropriate for private enterprise. This definition of laissez faire is compatible with Viner's other writings which demonstrate that Smith and others were not dogmatic adherents to laissez faire even though they accepted it as a general principle.

Viner first engaged in a wide-ranging discussion of the origins of the laissez-faire doctrine, following up on his remark in the *Studies* that "the antecedents of Smith's laissez-faire and free-trade views are probably rightly to be sought mainly in the philosophical literature . . . rather than in the earlier English economic literature."⁶⁴ Emerging as a unified doctrine only in the eighteenth century, the idea of laissez faire was woven from various elements of Graeco-Ro-

lutionary explanation of the process of development of social institutions. . . . But I fail to see the connection with 'liberty' which Hayek and you see. . . . The government of London, which Mandeville praised highly, was as much an evolutionary development for him as was language, but it included nevertheless a great mass of regulation and of officialdom, of 'interventionism.' . . . I see no theoretical or empirical ground for taking for granted that spontaneous or evolutionary development will necessarily or even preponderantly produce results which would or should be to my liking, even from a 'libertarian' point of view." Letter to Chiaki Nishiyama, June 23, 1961, Jacob Viner papers.

⁶³ Viner comments further on Mandeville's satire in Chapter 13. See also Phillip Harth, "The Satiric Purpose of *The Fable of the Bees*," *Eighteenth-Century Studies* 2 (Summer 1969): 321–40.

⁶⁴ *Studies*, p. 91.