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## The Paris School of Liberal Political Economy

DAVID M. HART

The Paris School of political economy that emerged in the first half of the nineteenth century was made up of a group of scholars, journalists, politicians and activists who formed a coherent school of thought and had a dense network of personal relationships mediated through several institutions and organizations based in Paris. The beginning and end points for this chapter are marked by the appearance of two key texts in this school of thought: the first edition of Jean-Baptiste Say's *Traité d'économie politique* (1803) and the summation of the school's achievements in the *Dictionnaire de l'économie politique* (1852–3).

The members of the Paris School drew upon two different intellectual foundations: an older, home-grown thread that came from the Franco-Physiocratic school of Boisguilbert (1646–1714), Cantillon (1680–1734), Quesnay (1694–1774) and Turgot (1727–81); and the Anglo-Scottish thread of Adam Smith (1723–90), Jeremy Bentham (1748–1832), Thomas Malthus (1766–1858) and David Ricardo (1772–1823).

Upon these foundations the early members of the Paris School such as Jean-Baptiste Say (1767–1832), Destutt de Tracy (1734–1836) and Charles Dunoyer (1786–1862), did innovative work on the entrepreneur, the nature of markets and the new 'industrialist' society which was emerging before their eyes. By the 1840s, the school had matured into a well-organized group with its own journals, associations, a publishing firm and contacts that extended well into the broader political and intellectual life of Paris.

### The First Generation, 1803–30

The first generation of the Paris School were born under the *ancien régime*. Its most important members were the Ideologue theorist and politician Antoine Destutt de Tracy (1754–1836); the novelist, political theorist and politician Benjamin Constant (1767–1830); the journalist, cotton manufacturer and

academic Jean-Baptiste Say (1767–1832); the lawyer, journalist and academic Charles Comte (1782–1837); and the lawyer, journalist, academic and politician Charles Dunoyer (1786–1862).

These writers responded to the problems raised by the disruptions of the Napoleonic Wars and the restoration of Bourbon monarchy by rethinking economic and social theory in a number of significant ways, most notably by creating a new and distinctive form of liberalism that combined traditional political concerns with economic, social and historical ones. The two most important works of this period were Destutt de Tracy's *Traité d'économie politique* (1817, 1823) and Jean-Baptiste Say's *Traité d'économie politique* (1803, 1814, 1817, 1819, 1826), which in spite of their many differences agreed on a number of key issues.

First, the idea that government intervention in the economy was an impediment to trade and to the growth of prosperity, as well as a violation of an individual's natural right to life, liberty and property.

Secondly, that the Physiocrats had been wrong to argue that only agriculture was a productive activity. Tracy argued that merchants, for example, were productive by making it possible for consumers to get the things that producers made. Say argued that a new group of economic actors, entrepreneurs, played a key role in bringing together all the factors of production, distribution and sales without which very little economic activity could take place. Both developed ideas about class that pitted a 'productive' or 'industrious' class against a 'non-productive' or 'idle' class, which would have important ramifications for the development of a classical liberal theory of class and exploitation in which the Paris School played a vital role.

Thirdly, that it was not just 'material goods' like food or iron bars which were produced and exchanged, but a whole raft of 'non-material goods' such as the services of teachers, judges and opera singers which could also be analysed from an economic perspective. Say, in particular, was a pioneer in this new way of thinking about what we would call 'services', and his early followers Charles Comte and Charles Dunoyer spent considerable time trying to determine where to draw the line between 'productive' suppliers of services (like that of an opera singer whose performances are voluntarily 'purchased' by consumers) and 'non-productive' or 'parasitical' producers (like government-employed bureaucrats or members of the armed forces who are paid with tax-payers' money whether they want those services or not).

Fourthly, that the exchange of goods and services was not just an aspect of society but, in Tracy's aptly chosen phrase, that society itself was 'nothing but

a succession of exchanges'. The implication of this idea is that there are not two separate entities that needed to be studied, 'society' on the one hand and 'the economy' on the other, but rather one entity that is permeated by interlocking political, social and economic relationships, or a 'social economy'. The latter was Say's preferred name for the field of study in which he was engaged and he regretted the fact that the older name 'political economy' had become so entrenched it was now near immovable.

Say's new theory of 'social economy' had a profound impact on Charles Comte and Charles Dunoyer. When their magazine *Le Censeur* was suspended in June 1814 they came across the second revised edition of Say's *Treatise* (1814), which hit the young lawyers like a bombshell, completely transforming their understanding of what liberal theory could be. When they re-opened their journal in February 1817 it was filled with articles dealing with reviews of Say's books, an analysis of the history and functions of the 'productive classes' (*les industriels*), the exploitation of the 'industrious class' by the 'unproductive classes' (usually associated with the state or groups privileged by the state in some way), the inevitable resistance to this exploitation by the industrious classes that sometimes resulted in a revolution, and a whole new theory of the evolution of societies through various economic stages culminating in the rise of a new stage of 'industrialism' which France was now on the verge of entering.

Charles Comte's activities were suspended in 1819 when he was forced into exile. When Comte eventually returned to Paris he published *Traité de législation* (1827) and its sequel *Traité de la propriété* (1834) where he explored the evolution of law and legal institutions, the nature and evolution of property, the class structure of slave societies, and the nature of exploitation.

Dunoyer was able to remain in Paris, publishing the first of a series of books on the evolution of the industrial stage of economic evolution, *L'Industrie et la morale considérées dans leurs rapports avec la liberté* (1825) and then an expanded version *Nouveau traité d'économie sociale* (1830) with its obvious reference in the title to Say's preference for 'social economy' over 'political economy' as the proper field of study for his intellectual followers.

Say was more fortunate than the exiled Comte as he was able to secure teaching positions in Paris at a time when there were very few such opportunities. He began giving lectures at the private educational institution the *Athénée royal* in 1816 following the success of the second edition of his *Treatise* (1814); he was granted a chair of 'industrial economics' (the name 'political economy' was seen to be too radical at the time) at the government-funded *Conservatoire national des arts et métiers* in 1819; and, being the

entrepreneur that he was, he co-founded a private business school, l'École Spéciale de Commerce et d'Industrie in 1819. When a dedicated chair of political economy was finally created in 1831, Say was appointed to it but only served a year before he died in November 1832. The content of these lectures was not known in any detail until very recently. His *Leçons d'économie politique* given at the *Athénée* in 1819 and at the *Conservatoire* between 1820 and 1829 were finally published as part of his *Œuvres complètes* (2002). They reveal a much more radical side to Say than appears in the printed *Treatise* and the *Cours complet*. Here Say appears at times to be moving towards the free market version of anarchism that Gustave de Molinari would advocate in 1849.

Say's and Dunoyer's views influenced Benjamin Constant whose liberalism began moving in a new direction as he increasingly addressed economic matters. After Constant was elected to the Chamber of Deputies in March 1817 he was one of the few advocates for free trade. In a withering speech to the Chamber, Constant declared himself to be 'in a state of defiance' towards the government bill attempting to impose restrictions on the grain trade and clearly described the class interests that lay behind the measure. Constant's protests were in vain. However, following this spirited defence of free trade Constant wrote his one and only treatise on economics in the form of a lengthy commentary on the work of the Italian jurist Gaetano Filangieri which appeared in 1822. Constant's conclusion was that 'the functions of government are negative: it should repress evil and leave the good to operate by itself.'

The first generation of the Paris School came to an end with the overthrow of the Bourbon monarchy in July 1830. Censorship, limited teaching possibilities, exile and death had depleted their ranks – Constant died in 1830, Say in 1832, Tracy in 1836 and Charles Comte in 1837. They left a significant gap which would be replaced by a new generation of the Paris School that emerged in the late 1830s and began to flourish in the early 1840s.

### The Second and Third Generations, 1830–52

The second generation of the Paris School were born during the French Revolution and the First Empire. Its most important members were the publisher Gilbert Guillaumin (1801–64), the journalist, free trade activist and politician Frédéric Bastiat (1801–50), the journalist and advocate of free banking Charles Coquelin (1802–52), and the academic Michel Chevalier (1806–79).

The third generation were born during the Restoration period and its most important members were the journalist and academic Gustave de Molinari

(1819–1912), the young Ricardo scholar Alcide Fonteyraud (1822–49), and the politician, peace activist and academic Frédéric Passy (1822–1912).

The rebuilding of the Paris School began with the recreation of the Institute by King Louis-Philippe in 1832. Members of the Paris School were well represented in the new Institute's Academy of Moral and Political Sciences, which was one of its five branches and of which Charles Comte was the permanent secretary. Another important step was the recognition by the new regime of the discipline of 'political economy' as being worthy enough to have its own chair at the Collège de France. It was created in 1831 and, as we know, the first appointee was Jean-Baptiste Say. After his death, Say was replaced by the conservative Italian jurist Pellegrino Rossi. Rossi held the position from 1833 to 1840 when he was succeeded by the free market Saint-Simonian engineer and economist Michel Chevalier who held the post between 1841 and 1852. These moves by the French government came only a few years after similar chairs had been created in England in the mid- and late 1820s.

This problem of the limited number of teaching and research positions explains why the advent of the Guillaumin publishing firm in 1837 and the network of associations it spawned is so important for understanding the growth of the Paris School in the 1840s.

The bookseller Gilbert-Urbain Guillaumin (1801–64) founded the publishing firm that bore his name in 1837. It became the focal point for the Paris School for the next seventy-four years, channelling money that he helped to raise from wealthy benefactors (such as the merchant Horace Say, son of Jean-Baptiste, and the industrialist Casimir Cheuvreux) into the pockets of several generations of liberal political economists.

The firm commissioned books on economics (publishing a total of 2,356 titles between 1837 and 1910), began the *Journal des Économistes* in 1841, and the *Société d'économie politique* in 1842, which brought classical liberals, sympathizers in the intellectual and political elites of France, and foreign visitors together for discussion and debate at their monthly dinner meetings, presided over by the society's permanent president Charles Dunoyer.

It also undertook several large publishing projects of note, such as the fifteen-volume collection of key works in the history of economic thought, the *Collection des Principaux Économistes* (1840–8), edited by the former tax-collector turned editor Eugène Daire (1798–1847); and the massive *Dictionnaire de l'économie politique (DEP)* (1852–3), edited by Charles Coquelin. The aim of the *DEP* was to assemble a compendium of the state of knowledge of liberal political economy with articles written by leading

economists on key topics, biographies of important historical figures, annotated bibliographies of the most important books in the field, and tables of economic and political statistics. The Paris economists believed that recent events had shown how poorly understood the principles of economics were among the French public, especially its political and intellectual elites. One of the tasks of the *DEP* therefore was to rectify this situation with an easily accessible summary of economic thought.

There were several other groups and organizations which were part of the broader Guillaumin network of economists. These included the French Free Trade Association (headed by Bastiat), the *Congrès des Économistes* (founded by the Belgians Le Hardy de Beaulieu and Charles de Brouckère), the Friends of Peace Congress (organized in Paris by Garnier), and the private Paris salons held by Anne Say (née Cheuvreux, the wife of the businessman Horace Say) and Hortense Cheuvreux (the wife of the wealthy textile manufacturer Casimir Cheuvreux).

It is often assumed that the problem of poverty was discovered in the 1830s by either religiously inspired social reformers, such as Villeneuve-Bargemont (whose *Économie politique chrétienne* was published in 1834), or conservatives, like Alexis de Tocqueville, who feared that state charity would create a permanent underclass of the poor, or by socialists such as Louis Blanc, who saw poverty as the proof of the failure of free markets. But this would be incorrect.

In the early and mid-1840s, the Guillaumin firm published a dozen or so books on this question. They agreed with the social reformers that there was a need for more charity, but only as long as it was charity that was voluntarily given and not 'la charité légale' (state-funded or 'coerced' charity). They agreed with the socialists that the current system was broken and did not serve the best interests of the workers, but not that the free market system of wage labour itself should be abolished and replaced by socialist schemes of industrial 'organization' and labour 'associations', something that would in fact be tried by Louis Blanc in the National Workshops programme after February 1848. Instead, they wanted to see all restrictions on the free movement of labour (the right to enter any job or industry without restriction), of capital (the right to set up factories and businesses anywhere and at any time) and of goods (international and domestic free trade) lifted so that all workers could reap the benefits of the division of labour and open markets. One of the things that Michel Chevalier admired most about the United States, as he described in *La liberté aux États-unis* (1849), was the freedom ordinary workers had to move about

the country and enter any occupation they wished without having to seek the permission of the government. He thought that similar freedoms in France would go a long way to solving the social question. The reason the economists were so hostile to tariffs and other subsidies to industry can be reduced to three main points. First, they saw it as a violation of the property rights of producers and consumers, no matter what country they lived or worked in, to buy and sell their goods and services without interference from third parties. To impose a tax or tariff or to prohibit the entry of goods was, in Bastiat's very direct terminology, a form of 'legal plunder' and should not be allowed on moral grounds. Secondly, they saw tariffs as just another tax imposed upon the poor, especially on essentials such as food and clothing and, since this is France after all, on wine. It was also a tax imposed on small business owners who ran their own workshops and had to pay taxes on imported raw materials they used to make their own products for sale. Thirdly, they saw the beneficiaries of tariffs and subsidies very much in class terms, where wealthy landowners and industrialists who cloaked their own self-interest in eliminating competitors and increasing their profits in terms of 'protecting national labour', were in fact part of an 'oligarchy' or 'privileged class' who exploited or 'plundered' ordinary consumers for their own benefit. This combination of moral, economic and political arguments explains the Paris School's passion in opposing tariffs which they maintained over many decades.

The Paris School was motivated by the success of the English Anti-Corn Law League (founded by the Manchester manufacturers Richard Cobden and John Bright in 1838) to launch their own free trade movement in France, which they did in early 1846, with Bastiat as its head and editor of their association's newspaper *Le Libre-Échange*. In it he published some of the greatest economic journalism ever penned, such as 'The Right Hand and the Left Hand' and 'Petition by the Manufacturers of Candles, etc.' Both were models of how to use the *reductio ad absurdum* argument.

However, even the brilliant economic journalism of Bastiat could not make any political headway without the help of a newly enfranchised middle class. During the 1840s, the Paris School had to contend with the rise of an organized socialist movement which challenged their core beliefs about the right to own property, charge interest on loans, charge rent for agricultural land, make a profit from their business or employ workers at market wage rates. The three leading socialist critics and their main works were Victor Considérant (1808–93,) who wrote *Théorie du droit de propriété et du droit au travail* (1845); Pierre-Joseph Proudhon (1809–65), who wrote *Qu'est-ce que la*

*propriété?* (1840), *Système des contradictions économiques* (1846) and *Gratuité du crédit* (1850); and Louis Blanc (1811–82), author of *L'Organisation du travail* (1839).

The ideas of both Blanc and Considérant became very influential after the Revolution broke out in February 1848 as they were part of the provisional government and attempted to put their ideas into practice in the National Workshops and the legislation on the 'right to work'. Louis Blanc in particular was influential as the president of the 'Commission du gouvernement pour les travailleurs' which oversaw the National Workshops programme.

In a critique of Blanc in the *Journal des Débats* (August 1844), Chevalier identified two fundamental flaws in his theory which would make his schemes unworkable: the assumption that human societies were principally governed by a sense of duty, not the personal self-interest of the individuals which make up that society; and that the guiding principle of 'absolute equality' of wages in the social workshops would result in an increase, not a decrease, in the productivity of the workers.

In *De la liberté du travail* (1845) Dunoyer argued in response to Blanc that fully free markets did not exist anywhere, so that it was false to blame economic problems on what did not yet exist; that the socialists did not recognize the great advances that had already been made in bringing people out of poverty; and that the real causes of poverty had not been properly identified by the socialist critics, which were the persistence of restrictions on trade and production, the burden of taxes and the never-ending problem of war.

Several members of the School continued the fight against socialism in the Constituent Assembly to which they were elected in April 1848. Bastiat was appointed vice-president of the Finance Committee where he tried to cut taxes (especially on salt and alcohol), cut government expenditure (especially on the military and the National Workshops) and balance the budget. Over the summer of 1848 they were able to defeat the socialists' plan to have a 'right to work' clause inserted into the new constitution.

The Guillaumin publishing firm continued to publish a steady stream of anti-socialist books and pamphlets, such as the twelve pamphlets written by Bastiat and priced so that ordinary workers could afford to buy them; and Molinari's book of spirited conversations between 'a Conservative', 'a Socialist' and 'an Economist' who debated key economic issues in *Les Soirées de la rue Saint-Lazare* (1849). In the late 1840s, there were three innovators of particular note who pushed the Paris School in new directions: Charles Coquelin, Gustave de Molinari and Frédéric Bastiat.

Charles Coquelin was a pioneer theorist of free banking, the idea that the issuing of money was not a public good which only a state bank or a state-authorized private monopoly should provide. He argued that private banks should be allowed to compete with each other to supply the 'service' of having money to use when making transactions. He drew upon the historical examples of free banking in England and America in the 1830s for his book *Du Crédit et des Banques* (1848) which appeared during the banking crisis of the Revolution, and wrote several key articles on money and banking for the *DEP*.

The Paris School economists were divided over the proper size and functions of the state, ranging from the 'ultra-minimalists' like Bastiat (police, local militias for defence and very few public works), to the middle ground of the majority who were in favour of the standard 'Smithian' role of the state (police, defence, and a handful of public goods like roads and money and possibly basic education), to the more statist among them like Louis Wolowski who wanted the government to run banks and supply cheap credit for farmers. The outlier was Molinari (and sometimes Say in his unpublished lectures and the younger Dunoyer) who thought that even police and defence might be better provided by private competing companies or voluntarily by local communities.

In an essay about electoral reform written in 1846 Molinari used the metaphor of likening the state to a large insurance company which provided security for its citizens. In the essay 'The Production of Security' (February 1849) the metaphor became reality when he proposed that all police and national defence services could and should be provided competitively on the free market by actual insurance companies providing security for their paying customers. He would take this up again in chapter 11 of his book *Les Soirées* where he refers to 'la liberté de gouvernement', a book in which he also argued, chapter by chapter, how all government-provided public goods, such as roads, water supplies, mail delivery and so on, could be replaced by private companies offering their services in a free market.

The most original theorist at the end of the 1840s was Bastiat, who struggled to finish his treatise *Economic Harmonies* before he died in December 1850. Among his many interesting ideas were his opposition to Malthusian pessimism; a new theory of rent; the idea of the harmony of the market and the political disturbing factors which upset that harmony; the idea of opportunity cost; and an early version of a subjective theory of value.

Bastiat rejected the prevailing Malthusian orthodoxy by arguing that the economists underestimated the power of free markets and free trade to increase food production; the ability of free people to rationally plan their lives; and the benefits to be had from living in large urban centres, which lowered the transaction costs of economic activity and increased the possibilities for greater division of labour and hence greater productivity.

The orthodox Ricardian view of rent, that it was a 'free gift of the soil' and thus a form of 'unearned income' for the land owner, had been seized upon by socialists like Blanc to challenge its legitimacy. Bastiat responded by arguing that land was not unique in having a 'natural component' which made it valuable. The same could be said for many other natural resources like coal and natural forces like the compressibility of steam. The value or 'service' humans provided was in making the resource available to others and thus it was legitimate to pay for it.

Today Bastiat is best known for his theory of the natural harmony of the free market. What is not as well known is the counterpoint to this argument, that 'disharmonies' inevitably appeared when the 'disturbing factors' of coercion and plunder intervened to disrupt this underlying economic harmony. He believed the most significant disturbing factors were war, slavery, exorbitant taxation, trade restrictions and the exercise of what he called 'legal plunder' by those who sought special privileges from the state.

One of Bastiat's greatest contributions to economic theory is his notion of opportunity cost, or what he called 'the seen' and 'the unseen'. By 'unseen' Bastiat meant the things that one has to forgo in order to receive a given benefit. He devoted his last major work to exploring this concept with twelve specific examples in 'What Is Seen and What Is Not Seen' (July 1850), such as closing a military base, cutting state subsidies to theatres and so on. His classic statement of this was the chapter on 'The Broken Window'.

Also scattered throughout his writings are many intriguing statements about humans as 'un être actif' ('an acting or active being') and their behaviour in the economic world as 'l'action humaine' ('human action') or 'l'action de l'homme' ('the action of human beings', or 'human action'). He also used the idea of human action in his thought experiments involving Robinson Crusoe to explain the nature of human action in the abstract. A final theme that runs through the Paris School is a classical liberal theory of class based upon who has access to the power of the state to gain privileges at the expense of others. One might normally associate theories of class and

exploitation with Marxist thinkers but, as Marx himself openly acknowledged, he got his ideas about class from the French political economists and liberal historians like Augustin Thierry. The issue turned on the question of which activities were 'productive' and which were 'non-productive' or even outright 'parasitical', which, as we have seen, occupied Say, Comte and Dunoyer in the early Restoration period.

Bastiat picked up Comte's and Dunoyer's ideas thirty years later and developed his own theory of plunder which distinguished between 'extra-legal plunder', that is, plunder undertaken outside the law and without its sanction by common thieves and highway robbers, and 'legal plunder' which was organized plunder carried out by the state (through taxes, conscription and regulation of individual activity) or with its sanction (granting tariffs, subsidies and monopolies to a privileged few). During the Second Republic he believed Blanc and his supporters were attempting to institutionalize a new form of 'universal plunder' where everybody thought they could benefit from a government-provided job, government-funded education, government-supplied old-age pensions, government-supplied 'free credit' or low interest loans and so on. He described the imaginary state where this would happen as 'the great fiction by which everyone endeavours to live at the expense of everyone else'.

### Conclusion: The Originality of the Paris School

The new tradition of classical liberalism forged by the Paris School built upon the theory of free trade articulated by Adam Smith and the Physiocrats by adding the following key ideas in a unique and original way: the political liberalism of Benjamin Constant; a natural rights defence of property and opposition to state coercion; the 'industrialist' theory of class of Charles Comte, Charles Dunoyer and Augustin Thierry; the theory of exchange, markets and entrepreneurs of Destutt de Tracy, Jean-Baptiste Say and Gustave de Molinari (who summed up their approach as 'markets in everything, and entrepreneurs in every market'); a theory of the state which saw it as the result of conquest, usurpation and plunder of Constant, Thierry, Bastiat, and Molinari; the private provision of many (perhaps all) public goods theory of Charles Coquelin and Molinari; and the beginnings of a subjective theory of value by Bastiat.

Also in this period we can see a shift taking place in thinking about the purpose of economic activity. Increasingly, it was no longer the mercantilist idea of maximizing the production of things for the benefit of the nation-state

or various 'national industries' by selling them abroad and increasing the nation's 'balance of trade'. The purpose of economic activity was seen as being for the benefit of consumers not the producers or the nation-state. Again, Bastiat took a leading role in pushing political economy in this more 'consumer-centric' direction.