

Essay *on*
the Nature
of TRADE
in General

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RICHARD CANTILLON

Translated, Edited, and with an Introduction by

ANTOIN E. MURPHY



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INTRODUCTION

Richard Cantillon's Background

In 1721, when the French authorities decided to introduce the Visa, a retrospective tax on those who had enriched themselves through John Law's Mississippi System, the world's first financial bubble, Richard Cantillon featured as one of the prominent millionaires. In the Visa's tax document he was classified in the first list of rich Mississippians for having allegedly made 20 million livres from his transactions in Mississippi paper. The tax imposed on him was 2.4 million livres. A further column in the tax document described the rich Mississippians. Here, intriguingly, the only comment that could be made about Richard Cantillon was that he was an unknown (*un inconnu*).¹ This comment was surprising because the so-called unknown Cantillon had been running a bank in Paris for at least six years and had been involved in some major financial transactions there. It may be conjectured that Cantillon, wishing to hide under the cover of anonymity, encouraged a Visa official to conceal details of his identity. Richard Cantillon was very much a man of mystery. He liked to cover his tracks, using at times the names of his cousin, the Chevalier Richard Cantillon, and his nephew, also called Richard Cantillon, as fronts for his banking operations. His date of birth is still not known, and he died under such mysterious circumstances, in London in 1734, that there is doubt as to whether it was his body that was burnt to ashes in the fire that engulfed his house. Thus Cantillon was very much an eighteenth-century enigma, a man capable of writing one of the greatest books on economics of that century, while at the same time gliding through the commercial, financial, political, and intellectual circles of Paris, London, and Amsterdam without attracting excessive attention.

Notwithstanding his desire for anonymity, he had mixed with some

1. See Du Hautchamp 1743, vol. 2, 170.

of the great figures of the period. He had been the key banker in discounting a substantial bill of exchange amounting to £20,000 for Lord Bolingbroke when he fled to Paris in 1715. Cantillon was sufficiently confident to challenge Sir Isaac Newton about his report on the coinage when they met, probably in 1717, in Exchange Alley, London.² His relationship with John Law, the creator of the Mississippi System, had blown hot and cold. Initially they had been partners in a company to colonize an area of French Louisiana; then Cantillon had been evicted from France for speculating against the French currency and the shares of the Mississippi System; and finally Law had invited him back to France in the summer of 1720 to act as his assistant in restructuring the Mississippi System, an invitation that Cantillon turned down. Along with his wife, he was a friend of Montesquieu, although it is difficult to know when they first met. He had the great French portraitist Nicolas Largillière paint his wife, while he himself sat on two occasions for portraits by the Italian painter Rosalba Carrera.

Tracing Cantillon's lineage has been a difficult task. It has not been possible to find a date of birth for Cantillon, though it is known that he was born in Ballyronan, part of the parish of Ballyheigue, in the northwestern part of County Kerry, Ireland. Cantillon's brother, Thomas, is buried in the Ballyheigue churchyard. It may be surmised that he was born between 1680 and 1690. He became a naturalized Frenchman in 1708, which suggests that he may have done so on attaining the age of twenty-one. If this is the case, then Cantillon would have been born in 1687.

His family originated in Normandy. It is believed that the name was originally *Chant-de-loup*, "the cry of the wolf," which gradually became corrupted to Cantillon and Condon in Ireland. They appear to have followed William the Conqueror to England and then later came to Ireland under Henry II. Locating in County Kerry, they became Hiberno/Norman lords of the manor until they were dispossessed of their lands in the seventeenth century by the Cromwellian plantations and the Williamite confiscations. Sometime after the Treaty of Limerick in 1691, which ended hostilities in Ireland between the Williamites

2. See Cantillon 1931, ch. 4, book 3.

and Jacobites, Cantillon emigrated to France. His application for French naturalization, mentioned above, shows that he was in France by 1708.

Cantillon's uncle, Sir Daniel Arthur, was the Jacobites' banker. He had been instrumental in transferring the financial capital of the Irish Jacobites out of Ireland. This connection probably provided Cantillon with an introduction into the world of banking. He appears to have started this career by providing financial assistance for British prisoners of war during the War of the Spanish Succession. From France he traveled to Spain. The first known sighting of Cantillon in Spain was in 1712. Surprisingly for an Irish Catholic, forced from his ancestral lands by the Williamites, he was working on the British side during the final stages of the War of the Spanish Succession in the Iberian Peninsula.

Cantillon worked as a deputy to Anthony Hammond, the representative in Spain of the British Paymaster General to the Forces Abroad, James Brydges.³ Brydges, who later became Lord Carnarvon and still later the Duke of Chandos, was the biggest war profiteer of the age.

Working for Chandos, Cantillon became adept at the art of double-double-entry bookkeeping, maintaining an official set of books for parliament and a private set for Chandos, revealing the full extent of his profit-making activities. Cantillon's financial efficiency impressed Chandos to such an extent that he offered Cantillon employment in London and also gave him a loan of £2,000. Cantillon rejected the employment offer, preferring to travel to Paris to take over the banking practice of his cousin the Chevalier Richard Cantillon. He also quickly paid off Chandos's loan, suggesting that he was able to turn the chevalier's virtually bankrupt banking operation into a profitable one relatively quickly.

By 1717 Cantillon had encountered a man who was to have a profound effect on the rest of his career. This was the Scotsman John Law (1671–1729), who had started to implement his grand design aimed at transforming the French monetary and financial systems.⁴ Law believed that France faced dual crises. The first was a monetary crisis exemplified by the shortage of money in France. The second was a

3. See Baker and Baker 1949.

4. See Murphy 1997.

financial crisis in the form of massive government indebtedness brought on by the excessive expenditures of the late king Louis XIV to finance the wars that he had waged. Law believed that he could solve the monetary crisis by establishing a note-issuing bank, while he aimed to resolve the financial crisis by converting the public debt into equity of a trading company, which would later become known as the Mississippi Company. These policies of monetary expansion and debt restructuring were the two main pillars of John Law's Mississippi System. Law developed his system progressively by establishing in 1716 the General Bank, later to become the Royal Bank, to issue banknotes. Following this he revamped the Company of the West (*Compagnie d'Occident*) to become the base for the creation of a vast financial conglomerate that controlled all the French trading companies, the mint, the tobacco farms, and the tax farms. The Company of the West controlled the trading rights to French Louisiana, a vast expanse of territory in North America constituting half of the land mass of the present United States, if Alaska is excluded. The shares issued by this company rose from a price of around 170 livres on issue in 1717 to a high of over 10,000 livres at the end of 1719 and the start of 1720. Law's alchemist qualities in transforming paper money and shares into apparent wealth led to his appointment as Controller General of Finances in France, a role equivalent to that of prime minister, in January 1720 at the height of the Mississippi Bubble, which was generated by the Mississippi System.

Cantillon's relationship with Law varied from friendship to enmity during the Mississippi System episode. Initially they were on sufficiently good terms to establish, along with Joseph Gage, one of the biggest Mississippian speculators, a colonizing group to develop a settlement in Louisiana. Cantillon's brother Bernard led this group from La Rochelle to New Orleans in 1719.

When the shares in the Mississippi Company rose from 170 to over 2,000 livres in the early summer of 1719, Cantillon became convinced that a definite asset market bubble had emerged. He sold his shares and retired to Italy in August 1719. Cantillon's timing was wrong, as the Mississippi Company moved from strength to strength. By January 1720, the shares had moved to over 10,000 livres.

Cantillon returned to France in the spring of 1720. Then, convinced more than ever that the Mississippi System would explode, he shorted the shares of the company and the French currency. Law became aware of Cantillon's bearish activities and threatened him with the Bastille if he did not leave France within forty-eight hours. Cantillon did so but continued to speculate against the company and the French currency from his bases in London and Amsterdam.

Believing that a similar bubble emanating from speculation in South Sea Company shares had emerged in Britain, Cantillon took out sizable put option contracts with Dutch bankers on the British shares. Meanwhile, in France, when the Mississippi Company faced increasing difficulties in the early summer of 1720, John Law invited Cantillon to return to France to assist him in restructuring the system. Cantillon turned down the offer, fearing that his profits, made through shorting the company's shares and the French currency, would be confiscated when the system eventually collapsed. By the end of 1720 Law was forced to flee from France as his system collapsed. Cantillon, on the other hand, had made a considerable fortune, but he was to find that there were costs associated with making his fortune. Some of his clients, led by Lady Mary Herbert and Joseph Gage, were responsible for criminal and civil suits against him alleging that he shorted the Mississippi System with shares that they had given him as collateral for loans. These charges were never proven, but they did mean that Cantillon faced continuous litigation in both Britain and France for the rest of his life.

Richard Cantillon married Mary Anne O'Mahony (1701–51) in February 1722. She was also of Kerry stock, being the daughter of Count Daniel O'Mahony, who had been born in Killarney, County Kerry. Mary Anne was regarded by her contemporaries, such as Lady Mary Wortley Montagu, as one of the beauties of her age.

Cantillon was apparently murdered in his bed in Albemarle Street, London, on May 14, 1734, by his disgruntled French cook, who then set fire to the house. The corpse was burnt to ashes in the fire that also engulfed the two adjoining properties, which belonged to Lord Bolingbroke and Lord Perceval. The story of Cantillon's demise might have ended there except for the arrival in the Dutch colony of Surinam,

South America, of a certain Chevalier de Louvigny on December 11, 1734. Rich and well armed, the chevalier attracted the suspicion of Dutch authorities, who attempted to interview him on his arrival in Paramaribo. The chevalier skipped the passport examinations and escaped in a small boat with four black slaves. When the chevalier was later sighted in the jungle, Dutch troops were sent to locate him. However, by the time they arrived the chevalier had once again escaped, though he had left behind some freshly dug earth in his encampment. The Dutch soldiers set to digging and located a large quantity of documents relating to Richard Cantillon, Esquire, of Albemarle Street. The chevalier was never found, leaving us with a further Cantillon mystery. Was the chevalier the French cook, or had Cantillon, despairing of the never-ending civil and criminal litigation against him, arranged his own demise from Europe in the guise of the Chevalier de Louvigny? Although it is highly probable that it was Cantillon's body that was burnt to ashes in Albemarle Street, he may have decided to extend his "unknown" status to South America.

The synopsis of Cantillon's career shows that by the time he came to write his *Essai sur la nature du commerce en général*, sometime between 1728 and 1730, he had considerable experience in the world of banking, finance, and speculation. He was not some ivory-towered theorist but rather a battle-hardened accountant, entrepreneur, banker, and financial trader. He knew the world of money, banking, and financial institutions intimately. He had confidently identified the fault lines of both the Mississippi System and the South Sea scheme, enabling him to make a fortune from both of these stock market bubbles. He had become such an expert on shorting financial markets and currencies that he could have given master classes to many modern exponents of such stratagems.

Essai sur la nature du commerce en général

Publication Background of the Essai

The *Essai* was published posthumously in 1755. The title page states that it was published by Fletcher Gyles in London. This is incorrect, for Fletcher Gyles had died many years before of apoplexy, and the

London imprint was merely a ploy to conceal that it had been published in Paris so as to conform with French censorship laws of the time. The notes of Joseph d'Hémery, who was the supervisor of the book trade (Inspecteur de la Librairie), show that the *Essai* was actually published by the Parisian publisher Guillyn. It soon became known that the author of the *Essai* was Richard Cantillon.

Aside from the published text of the *Essai* (1755), another draft of the *Essai* in French is located at the Bibliothèque Municipale in Rouen.⁵ The Rouen manuscript is very inferior to the printed text because it is littered with spelling mistakes and poor punctuation. It contains some differences from the printed text, but none of them could be regarded as substantive.

The Marquis de Mirabeau, author of *L'Ami des hommes* (1756), possessed a further manuscript copy of Cantillon's *Essai*. It appears that he intended to plagiarize and publish the *Essai* under his own name but was prevented from doing so by the publication of the *Essai* in 1755. Mirabeau's selective extraction of large parts of Cantillon's work may be seen in two manuscripts in the Archives Nationales in Paris.⁶

The title page of Cantillon's *Essai* (1755) also states that it has been translated from English. What can be said about the assertion that it was translated from English into French? A growing body of evidence shows that a number of different drafts existed of the English manuscript of the *Essai*. It is already known that Malachy Postlethwayt, a British merchant, had a draft manuscript of Cantillon's *Essai* that he used extensively in two sizable folio volumes titled *The Universal Dictionary of Trade and Commerce* (1751–55). Richard Cantillon's cousin Philip Cantillon also had a manuscript copy, significant parts of which he incorporated into *The Analysis of Trade, Commerce, Coin, Bullion, Bank and Foreign Exchanges . . . Taken chiefly from a ms. of a very ingenious gentleman deceas'd and adapted to the present situation of our trade*

5. Cantillon 1979.

6. Details on these manuscripts can be found in Louis Salleron's "Note Liminaire" (Introductory Note) in both the Institut National d'Études Démographiques edition of Cantillon's *Essai* (1952; revised edition 1997, lxx–lxxii) and in the edition edited by Tsuda (1979, 405–10).

and commerce (1759). The “deceas’d gentleman” mentioned in the running title is Richard Cantillon.

Postlethwayt undertook a massive task in producing the *Dictionary*. He publicized his intention of writing this work in a prospectus, *A Dissertation on the Plan, Use, and Importance of the Universal Dictionary of Trade and Commerce* (1749). Hayek showed that Postlethwayt had already started to plagiarize Cantillon in this prospectus.⁷ Starting in November 1751 the *Dictionary*, published on a weekly basis in sections, would ultimately comprise 1,017 folio pages in volume 1 and 856 folio pages in volume 2. It was completed in November 1755. This meant that a great part of it had been published prior to the publication of Cantillon’s *Essai* in 1755. The *Dictionary* contains lengthy extracts from Cantillon’s *Essai*, incorporated by Postlethwayt with no acknowledgment to Richard Cantillon. Furthermore, the quality of the English suggests that these extracts emanate from an English draft or drafts, written by Richard Cantillon, rather than the subsequent French draft that was published as the *Essai* (1755).

Richard van den Berg, working on the texts of both Postlethwayt and Philip Cantillon, has recently been able to show how the English extracts of Cantillon’s work derive from a similar-style English text that was the basis for the respective drafts of Postlethwayt and Philip Cantillon.⁸ Van den Berg’s work appears to confirm that (1) although published in French, the *Essai* was originally composed in English, and (2) the original English draft or drafts of the *Essai* were longer than the published French version.

The existence of Postlethwayt’s and Philip Cantillon’s English drafts of the *Essai*, as presented in their respective books, makes it more reasonable to concur with Mirabeau’s statement that Cantillon translated the *Essai* himself:

Although he knew our language perfectly, something that may be really seen by a translation that incorporates so many different turns of words

7. Hayek 1985, 234.

8. See van den Berg 2012, 868–907.

and expressions, he was less attentive to the dictation of it than he would have been had he known what is happening to it today.⁹

The fact that both Malachy Postlethwayt and Philip Cantillon had English versions of the *Essai* raises the hope that someday a complete English draft may be found. Who knows whether such a document might also incorporate the elusive missing supplement that Cantillon alludes to a number of times in book 1 of the *Essai*? This supplement was apparently meant to provide statistical evidence to back up some of Cantillon's textual assertions.

*The Need for a New Translation*¹⁰

In 1931 Henry Higgs produced a hybrid translation of the *Essai*. In an effort to approximate a contemporaneous translation, Higgs incorporated considerable sections of the *Essai* as found in Postlethwayt's *Universal Dictionary of Trade and Commerce*.¹¹ Successive generations of economists have used this translation, which has been most useful in showing English readers the originality of Cantillon's intellectual achievement. However, there are problems with Higgs's translation that warrant a new translation.

First, there is no clear delineation between Higgs's translation and his use of Postlethwayt's English extracts of the *Essai*. This makes the overall published text somewhat discontinuous because readers are unsure whether they are reading Higgs's twentieth-century translation or extracts from Postlethwayt's plagiarized passages as found in *The Universal Dictionary of Trade and Commerce*.

Second, Higgs's translation from French into English is excessively

9. See Mirabeau 1753–56. It is difficult to specify a year for manuscript 780 as it is undated. Takumi Tsuda has written that Mirabeau started the manuscript in 1753 and finished it in 1756 (see Cantillon 1979, 403–38).

10. I wish to thank Professor Richard Whatmore and Mr. Charles Ballarin for their reading of the translation, along with their suggestions, which were most useful. Of course, the usual caveat relating to the translator's ultimate responsibility for the text applies.

11. See Cantillon 1931, appendix A, 390.

literal at times. Frequently when translating French sentences, it is necessary to go to the end of the sentence to discover the main clause, which should be at the start of the English translation. In many cases Higgs did not do this.

Third, many key words figuring in the English translation need greater care when translated from the French. To show the nature of this issue, consider three words in particular: *fonds*, *entrepreneur*, and *consommation*. Higgs translated *fond* and *fonds* as “capital” when they should have been translated as “money,” “funds,” or even “financial capital.”¹² I believe Higgs is wrong to introduce “capital” as the translation of *fond* or *fonds*. By doing so he creates the impression that Cantillon had a clear understanding of the concept of capital. Further, I do not believe that he should have translated *avances* as “capital.”¹³

Cantillon actually used the term *capital* and its plural, *les capitaux*, at times, but it is clear that he meant financial capital in these instances.¹⁴

The second key word that needs discussion in any new translation is *entrepreneur*. Higgs usually translated this in the way it would have been translated in the eighteenth century: “undertaker.” Such a translation presents problems for modern students who would not associate an undertaker with the dynamic persona of the modern entrepreneur. Reading the eighteenth-century French, the term corresponds to our modern understanding of the term “entrepreneur.” This makes it easy to leave the word as “entrepreneur” in the English translation.

The third example of a key word whose translation is problematic is that of Higgs’s conversion of *consommation* into “demand” rather than “consumption.”¹⁵ Cantillon used the term *demande* on a number of occasions to signify demand.¹⁶ He had a very good understanding of market forces and the role of demand in the market, as shown by his analysis of the hypothetical pea market in Paris.¹⁷ However, I believe

12. *Ibid.*, 200.

13. *Ibid.*, 299.

14. *Ibid.*, 269, 271, 273, 349, 420, 421.

15. *Ibid.*, 48, 50, 63, 84, 129.

16. *Ibid.*, 157, 158, 216, 362, 366, 383.

17. *Ibid.*, 158.

that translating *consommation* into “demand” puts words into Cantillon’s mouth that he did not intend.

There have been further, more recent editions of the *Essai* in both French and English. In 1952 the Institut National d’Études Démographiques republished the original 1755 text of the *Essai* along with commentaries by Anita Fage, Amintore Fanfani, Alfred Sauvy, Louis Salleron, and Joseph J. Spengler. This work was republished with further commentaries by Eric Brian, Antoin E. Murphy, and Christine Théré in 1997.

More recently Chantal Saucier translated and Mark Thornton edited the *Essai* under the strange title *An Essay on Economic Theory* (2010). For this edition, the bracketed page numbers throughout the text refer to the original pagination of the first French edition published in 1755.

The Influence of the Essai

The first edition of the *Essai* was published in 1755. It was quickly followed by a second edition with the same false imprint of Fletcher Gyles in 1756. It also appeared in volume 3 of a collection of works edited by Eléazar Mauvillon under the title *Discours Politiques*, which was published in 1756 and republished in 1769. Four French publications of the *Essai* in the space of fourteen years suggests a significant French interest in the *Essai*. P. M. Scottoni translated it into Italian: *Saggio sulla natura del commercio in generale*. This translation was published in 1767 in Venice.

The *Essai* was published alongside many other works on trade (*le commerce*) that emanated from a pre-Physiocratic group led by Vincent de Gournay in France of the 1750s. Cantillon’s work helped inspire this group, which espoused a new *laissez-faire, laissez-passer* approach. On the death of Gournay in 1759, the leadership of the group known as *les économistes* effectively passed to François Quesnay. Quesnay produced the first diagrammatic explanation of the macroeconomy in the *Tableau économique* (1758/59).¹⁸ This work was heavily influenced by Cantillon’s detailed account of the circular flow of income process.

18. See Quesnay 1972, 2005.