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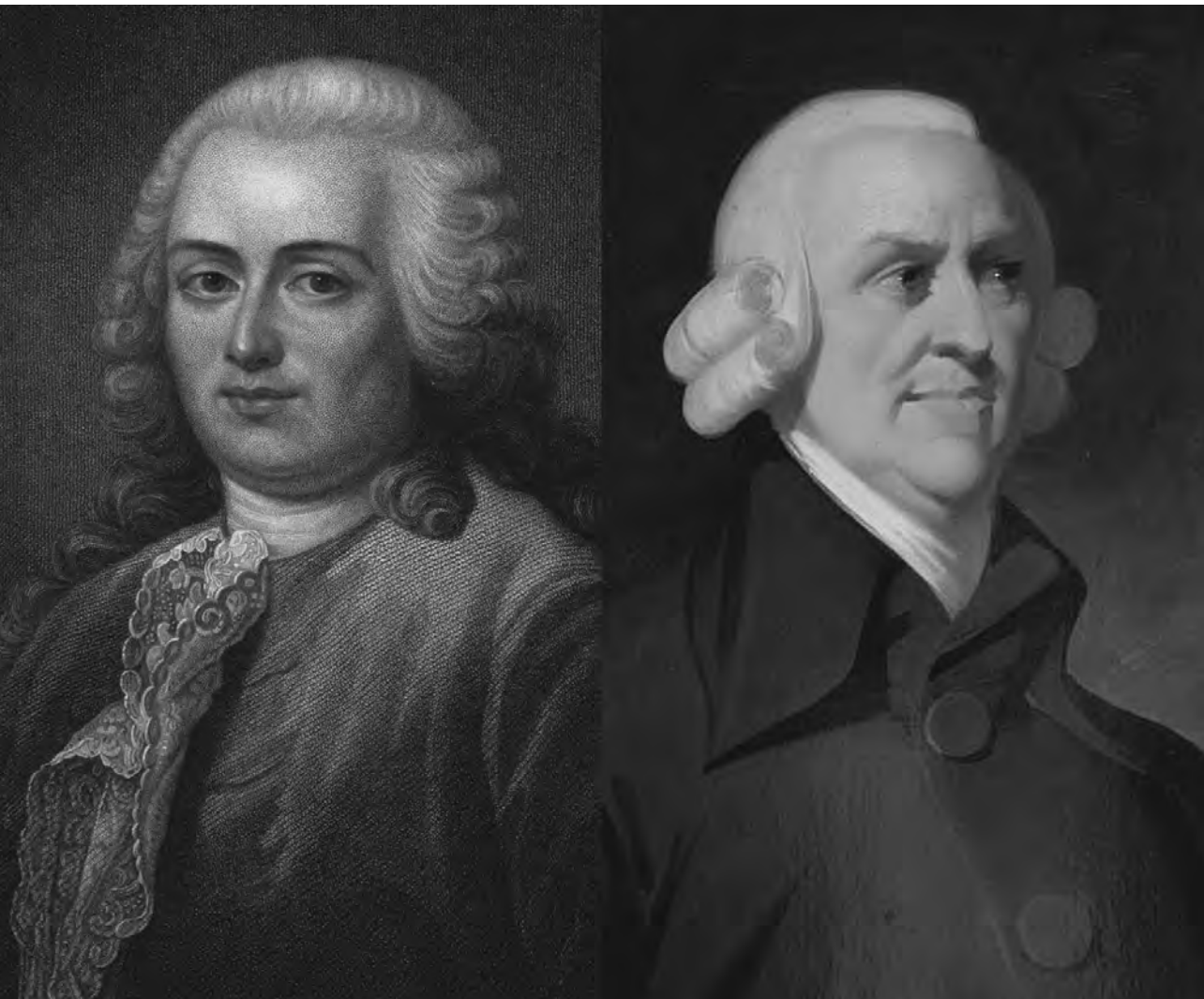
# English Summary



# English Summary

## *Turgot and Smith; an odd couple*

### Chapter 1 : Introduction

In 1776 Adam Smith published his famous: *An inquiry into the Nature and Causes of the Wealth of Nations*, which today is basic literature for anyone studying economics. Much less known is *Réflexions sur la formation et la distribution des Richesses* written by Anne-Robert Jacques Turgot nine years earlier.

Over the years several authors have noted many similarities between both works. How can this be explained? Some authors, such as Groenewegen, state that this is due to the fact that they lived in the same time and were influenced by the same society and state of economic science. Other authors, such as Say and Condorcet, suggest that Smith must have been inspired by Turgot. This touches upon a long dispute about the question of where the source of classical-liberal economic thought lies, in France or in England.

In this study I research whether there are sufficient indications that Smith used Turgot's *Réflexions* as a source (of inspiration) for a number of his important observations on the economy in *The Wealth of Nations*.

In the past there have been many studies in which the *Réflexions* have been compared to *The Wealth of Nations*. This study is different in two aspects. In the first place sixteen textual similarities have been noticed and I have tried to find out how these similarities can be explained. Especially Cantillon is referred to as he did not belong to the mercantilists or physiocrats and his ideas have undoubtedly influenced some of Turgot's and Smith's ideas. By comparing both Smith and Turgot to Cantillon one obtains an entirely different comparison.

In the second place in this study new light is shed upon the personal relationship between Turgot and Smith. The life of the *salons* in Paris in the second half of the eighteenth century is extensively described. Both Turgot and Smith frequently visited

these salons. The common friends are discussed as well as the likelihood of a correspondence between both authors.

This study has the following structure. First the life and works of Turgot and Smith are discussed with attention to the influence of French thought of that time on Smith and *The Wealth of Nations*. Thereafter the predecessors (mercantilists, physiocrats and Cantillon) are discussed. On the basis of a study of sixteen textual similarities we reach a conclusion as to whether or not Smith has used *Réflexions* as a source (of inspiration). Thereafter we study the question whether there are indications that Smith knew the (content of the) *Réflexions*.

**Chapter 2 : Life and work of Anne-Robert Jacques Turgot**

In this chapter the life and work of Turgot is described. Turgot, born in 1727, studied in Paris during the Enlightenment and was a respected guest at the salons. He met Quesnay and Gournay whom he considered his teachers. After having been *maître des requêtes*, he was nominated in 1761 as governor of Limoges, which was one of the poorest and less accessible regions of France.

Turgot improved the connection between Limoges and Paris and stated that free trade in grain would be the only solution to the frequent famines. He introduced the growing of potatoes, established a school for midwives and for veterinarians. Turgot also initiated the china industry in Limoges.

The most drastic measure was the abolishment of *la corvée royale,* unpaid labor by the poor for the State. According to Turgot this frustrated own initiative and innovation and was an unjustified burden for the poor.

In 1774 King Louis XVI appointed Turgot as Minister of Finance. Turgot aimed to ban corruption and to decrease the expenses of the crown. These plans were met with suspicion by the aristocracy and the King's wife, Marie-Antoinette. One of Turgot's first measures was to liberate the trade in grain. Unfortunately this happened during a period of bad harvests which led to an enormous increase of the price of bread and an uprising also known as: *la guerre des farines*. Turgot, however, convinced the King to maintain the free trade in grain.

On January 5, 1776 Turgot proposed *les six edits* which should have led to radical changes. However, the high grain prices, the changes which affected the privileges of

the aristocracy and the clergy led to too much pressure on the King who asked Turgot to hand in his resignation.

After his resignation he regularly stayed at the castle belonging to his friend the Duchess d'Enville. His library bears proof of his broad interests ranging from chemistry and mathematics to metaphysics.

Turgot, who did not enjoy a good health, died in 1781, at the age of 53.

Turgot was a man with a passion for justice and truth and was a very devoted administrator who was ahead of his time. Freedom and independence for each person were the most important conditions for the further development of society, according to Turgot.

*Réflexions* is the only purely scientific work Turgot has written. Most other writings about the economy are texts resulting from his work in Limoges or as the Minister of Finance.

Two speeches at the Sorbonne, when Turgot was 23, already showed his early interest in the economy. In *L'Eloge de Gournay* Turgot advocates freedom of commerce. Turgot published four articles in *l'Encyclopédie* in which, among other terms, he defines *market* and *foundation*. In *Observations sur le Mémoire de Saint Péravy*, Turgot disagrees with Saint Péravy and explains that the increase in agricultural production is not proportional to investments. Thereby establishing himself as a predecessor of the classical economist David Ricardo. In *Valeurs et Monnaies* Turgot defines money and compares it to the use of language. Many of Turgot's economic ideas and thoughts can also be found in his letters to l'Abbé Terray and Hume.

## Chapter 3 : Life and work of Adam Smith

Not much is known about Smith's private life. Smith was born in 1723 after his father had died in Kircaldy, Scotland. Smith studied at the University of Glasgow where he was influenced by two professors: Francis Hutcheson and Gersham Carmichael, who both taught moral philosophy. As one of the best students he obtained a scholarship for Oxford.

In 1752 Smith was appointed professor of moral philosophy at the University of Edinburgh. He became well known because of his book *The Theory of Moral Sentiments*.

Smith studied and admired the work of the French encyclopedists. In 1763 Lord Townsend asked Smith to accompany his stepson during his *grand tour* in France. He stayed in France from February 1764 until October 1766.

In 1767 Smith returned to Kircaldy and lived with his mother. He worked on *The Wealth of Nations* which was published in 1776 and enjoyed immediate success.

In 1787 Smith was appointed Dean of the University of Glasgow. Smith had a library of more than three thousand titles. In his life Smith wrote two major works: *The Theory of Moral Sentiments* and *The Wealth of Nations*. In the first work the central question is how an individual judges what is good and what is wrong.

There are some indications, which point to Smith being influenced by the French economic thought of that time during his writing of *The Wealth of Nations*. In the first place there is the fact that *The Theory of Moral Sentiments* is a purely philosophical work, and *The Wealth of Nations* is a political, economical and historical work.

In the second place there is the absence of linguistic unity as described by Janine Gallais-Hamonno. Also Concordet concludes that the lack of precision with which certain economic subjects are described in *The Wealth of Nations* show that these ideas are not Smith's own ideas. The cause of all this probably lies in the influence of French economic thought of that time on Smith.

Although it is true that some of Smith's economic ideas date from before his trip to France, it is clear that the influence of the French economic ideas and especially the ideas of Turgot have, in all probability, played an important role. Also the many references of Smith himself to French authors in the *Wealth of Nations* seem to confirm this. Smith's library is, in this context, telling. One third of his substantial library consisted of French titles.

**Chapter 4 : The predecessors of Turgot and Smith**

In Chapter 4 the predecessors of Smith and Turgot, the mercantilists and the physiocrats, and their theories are described. Smith distances himself completely from the mercantilists while Turgot is somewhat more nuanced.

For the physiocrats agriculture was the centre of the economy, which they tried to describe in an analytical manner by comparing the economy to the circulation of

blood in the body in the so-called *Tableau Économique*. They professed freedom of commerce, religion and opinion, best under the leadership of an enlightened dictator.

Even today Turgot is regularly associated with the physiocrats. Although he visited the meetings in the entresol of the Versailles Palais, organized by Quesnay, Turgot distanced himself from their ideas. Turgot did not think that more investments in agriculture would automatically lead to more productivity and he also considered industry and commerce to be productive. Smith had some admiration for the physiocrats and Quesnay's *Tableau Économique,* but had the same objections as Turgot.

Besides the influence of the mercantilists and the physiocrats, Cantillon's influence on Turgot's and Smith's thinking should be mentioned. Cantillon's *Essai sur la Nature du Commerce en Général* was published in French 21 years after his death in 1755. The *Essai* is a remarkable book as Cantillon, already before the physiocrats, described the economy as a coherent system and saw agriculture as the source of all wealth. Cantillon is especially known for his description of the *entrepreneur* who takes risks and has a stabilizing influence on the economy. Turgot owned a copy of the *Essai* and Smith also had a copy and he once refers explicitly to Cantillon in his *Wealth of Nations*.

## Chapter 5 : *The Wealth of Nations* and the *Réflexions*

Smith worked on *The Wealth of Nations* for at least 10 years. The book immediately was an enormous success although some critical comments (including comments from Hume) found the book too theoretical and only accessible to experts. During his life the book was reprinted four times and especially in the third edition Smith made several changes.

The *Réfléxions*, very differently from the *Wealth of Nations*, were written in November 1766 inspired by a visit of two Chinese students to France. Turgot had great interest in China and in 1765 put together a questionnaire to be answered by the Chinese students. In order to make the questions understandable for the students Turgot put his *Réflexions* on paper, which in fact were not destined for a greater public. The *Réflexions* were first published in the physiocratic publication *Ephémérides du Citoyen* in the November 1769, December 1769 and January 1770 editions. In 1770 they were printed as a book, also known as the *tirage-à-part*.

The central themes in the *Réflexions* and *The Wealth of Nations* are the same but the didactic and theoretical approach is different.

*The Wealth of Nations* is a work full of statistical and historical data (it is more than a purely economical work) and contains many references to other authors. Because of the extensiveness of this book sometimes the consistency is lost. It is therefore also not always entirely clear what Smith's true opinion is on a subject.

*Réflexions* is a purely theoretical and analytical work of 101 paragraphs, each paragraph starting with a thesis. The ideas are expressed in a very systematic (evolutionary) and clear way.

One could suggest that Turgot has put down the economic structure which has been tested for reality by Smith in his *Wealth of Nations*.

## Chapter 6 : The textual similarities between the *Réflexions* and *The Wealth of Nations*

Many researchers have compared the *Réflexions* to *The Wealth of Nations* in the past. They either made a comparison of the theories (for instance Dupont de Nemours and Cannan) or a more textual comparison (for instance Groenewegen and Rogers). What follows is different in the sense that more examples of textual similarities are given and that I have researched to what extent such similarities can be explained by the influence of Cantillon's *Essai sur la Nature du Commerce en Général*. The latter does of course not exclude that the relevant text in Smith's work was inspired by Turgot.

The following textual similarities have been looked at. Textual similarity should be taken in a broad sense and also comprises texts which express the same line of thought.

1. The importance of private property for the advancement of society
2. The inequality in society
3. The division of labour
4. The five manners in which land can be exploited
5. The wages for labor
6. The division of income in the different stages of development of society
7. The importance of investments in the production process

8. Savings immediately lead to investments
9. Motivation to save
10. Money speeds up the process of capital accumulation
11. The different ways in which capital can be used
12. The connection between the ways capital can be used
13. The amount of money in circulation has no influence on the interest level
14. The price of gold and silver in China
15. Gold and silver to express the value of goods
16. *L'esprit de luxe* vs Prodigality.

The comparison results in the conclusion that in six cases (hereabove 1, 9, 10, 13, 14 and 15) one can point to influence from Cantillon. In four cases (3, 5, 6 and 12) Cantillon's ideas have been adapted by Turgot and Smith seems to have used these adapted ideas in the *Wealth of Nations*. In six cases (2, 4, 5, 8, 11, 16) one cannot be pointed to Cantillon or others as a source of inspiration and it seems very likely that Smith used Turgot's work.

In order to establish this with more certainty the following questions have to be answered:

1. Did Smith have or own the *Réflexions*?
2. Did Smith meet Turgot and were ideas exchanged?
3. Did they have common friends through which ideas could have been exchanged?
4. Did Smith and Turgot send each other publications?
5. Did Smith and Turgot correspond with each other?

These questions will be answered in the following chapters.

## Chapter 7 : Smith was in possession of the *Réflexions* but he does not refer to them in the *Wealth of Nations*

Smith constantly refers in *The Wealth of Nations* to influential French writers, French literature and the French political and economic situation in the second half of the eighteenth century. He mentions among others Cantillon, Quesnay, Mercier de la Rivière, Marquis de Mirabeau, Montesquieu, Morellet and Voltaire.

The fact that Smith did not refer to Turgot or the *Réfléxions* does of course not mean that Smith did not use the *Réflexions*. Smith is known for not handling quotes precisely. For instance, he used works of de Beaumont and Necker without citing them or their works.

Smith was subscribed to the *Ephémérides* and 42 editions were found in his library among which the November and December issues of 1769 in which the first 57 (of the 101) paragraphs of the *Réflexions* were published. Although before publication Dupont had made some changes to the *Réfléxions,* these changes did not change the nature of Turgot's work.

It is not certain if Smith received a copy of the *tirage-à-part* but as Turgot had asked Dupont to send a copy to his friends and other well known persons this does not seem unlikely.

**Chapter 8 : Smith and Turgot meet each other in Paris in 1766**

Smith arrived in France with his pupil the Duke of Buccleuch on February 13, 1764 and they stayed there for almost three years. After two weeks in Paris they travelled to Toulouse where they stayed for 18 months and from where they visited cities such as Bordeaux and Montpellier and visited Voltaire who was living in Ferney near Geneva. In November 1765 Smith arrived in Paris where he would stay until his return to England 11 months later.

A meeting between Turgot and Smith can only have taken place in that period as Turgot never left France and Smith never returned to France. Although Turgot lived in Limoges, because at that time he was intendant of Limoges, he regularly stayed in Paris (it took him 3 to 4 days to travel to Paris).

Although Groenewegen thinks that Turgot visited Paris from July to September 1766, letters to the Duchesse d'Enville and Desmarets suggest that Turgot stayed in Paris

from April to September 1766 probably with some interruptions as he took his task as intendant seriously. A meeting can therefore have taken place in that period.

**Chapter 9 : Smith and Turgot and the Paris salons**

The salons played an important role in the intellectual life of the eighteenth century. In the salons the Age of Enlightenment was born. The salons came into existence towards the end of the seventeenth century. First literature was read and discussed but soon it developed into a place where all kinds of subjects were discussed. They were visited by a heterogeneous group of people: aristocrats, the bourgeoisie, artists, politicians, philosophers and ambassadors.

The role of women with respect to the salons was very important. Women mostly organized the salons and received guests several times a week. Serving a simple meal was customary. All salons were geographically close and located in the centre of Paris. Both Smith and Turgot were active visitors of the salons.

**Chapter 10 : The influential salons in the second half of the 18th century**

In chapter 10 the most influential salons of the second half of the eighteenth century are described.

The salon de la marquise du Deffand was visited by among others d'Alembert, Turgot, Montesquieu and many foreigners such as Horace Walpole, Hume and Lord Shelbourne. There is no evidence that Smith visited this salon and that is unlikely as he visited the salon of Julie de Lespinasse who first helped Madame du Deffand but then started her own salon which meant that visitors of Lespinasse's salon such as Turgot were not any more welcome at Madame du Deffand's.

The salon of Madame Geoffrin was one of the leading salons. Madame Geoffrin was given the nickname: *le ministre de la Société*. After the death of her 35 years older rich husband she started her salon in 1749. King Gustave III of Sweden, Tsarina Catherina II of Russia and the King of Poland were her visitors. Turgot was introduced by Morellet and among others met Baron d'Holbach, Galiani, Helvétius and d'Alembert there. Although Rae suggests that Smith visited this salon, no concrete proof can be found.

Julie de Lespinasse, who also had a salon, had a close friendship with Turgot which is proven by an extensive correspondence in which Lespinasse among others informs Turgot about what is going on in Paris while Turgot stayed in Limoges. From a letter of d'Alembert to Hume it can be assumed that Turgot and Smith met in this salon on 21 July 1766 and discussed the Rousseau-Hume dispute.

Although Turgot also visited the salon of the Comtesse de Boufflers he did not visit this salon during the time that Smith was in Paris. Smith visited this salon regularly which was understandable as the Comtesse was well acquainted with Hume.

Helvétius and his wife, who continued the salon after Helvetius's death, had a salon where according to Morellet Smith and Turgot met. Morellet in his *Mémoires* describes that Smith and Turgot also met in the salon of the baron d'Holbach.

Smith and Turgot both visited the meetings organized by Quesnay in the basement of the Chateau de Versailles but as far as known they did not meet there.

From the above it is clear that Smith and Turgot met several times in the salons. Conversation was probably in French although Morellet remarked about Smith *"il parlait fort mal notre langue"*. Turgot did translate the work of Tucker and therefore must have had at least a passive knowledge of English. Language therefore will not have been an obstacle to exchange ideas.

**Chapter 11 : The common friends of Turgot and Smith**

In this chapter the different contacts of Smith and Turgot with the Duchess d'Enville, the Duke de la Rouchefoucauld, Hume, Morellet, Dupont de Nemours, Voltaire, d'Alembert and Condorcet are described and it is concluded that in a time when people corresponded a lot it is very well possible that via common friends ideas were exchanged between Turgot and Smith.

**Chapter 12 : A correspondence between Turgot and Smith?**

Until now and despite extensive further research no material proof of the existence of correspondence between Turgot and Smith has been found.

This chapter describes what happened to Turgot's correspondence and what has been found. The fact that many letters have been found by the persons who sent the letter

(such as Morellet and Condorcet) suggests that after Turgot's death his brother and sister returned letters to the sender.

It is unlikely that letters of Turgot which were returned to Smith or letters sent to Smith by Turgot can be found as Smith instructed to burn all his loose papers after his death. The fact that he did not wish anybody to access his correspondence after his death had been something which preoccupied Smith for a long time. Already 15 years before his death he had given detailed instructions to that effect.

As stated no material evidence of correspondence has been found. When the Duc de la Rochefoucald after Turgot's death asked if he could have letters which Turgot had: sent to Smith, Smith answered "*But tho' I had the happiness of his acquaintance, and I flattered myself, even of his friendship and esteem, I never had that of his correspondence.*"

Condorcet writes, however, in *Vie de Monsieur Turgot* (1786) that Turgot had corresponded with Smith. Condorcet had a close relationship with Turgot.

In his letter to la Rochefoucauld in which Smith stated that he had no correspondence with Turgot, Smith confirms that Turgot had sent him the *procès verbal du lit de justice tenu à Verailles, le 12 mars 1776*. It seems strange that Turgot would send a *procès verbal* 10 years after they met without there having been any correspondence.

Smith does not mention that Turgot also sent him a book of which only a few copies existed. Smith from his side sent Turgot a copy of the *Theory of Moral Statements*.

In conclusion the fact that publications were exchanged, the clear statement of Condorcet and the fact that de la Rochefoucauld asked for the correspondence seems to suggest that there must have been a correspondence.

**Chapter 13 : Conclusion**

There are sufficient indications to conclude that Smith indeed used the *Réflexions* as a source (of inspiration) for *The Wealth of Nations*.

In the first place there is the lack of linguistic unity as concluded by Gallais-Hamonno which according to her clearly suggests that certain ideas expressed in the in *The Wealth of Nations*, are not Smith's own ideas.

In the second place there is the great admiration of Smith for French economic thought and French economists such as Quesnay.

Furthermore the comparison of 16 textual resemblances have shown that at least for six of them no other source can be found than the *Réflexions*.

It has been established that Smith had at least the first 52 paragraphs of the *Réflexions* in his possession and it seems likely that Smith also received a copy of the *tirage-à-part*.

We have seen that Smith met Turgot in the summer of 1766. During this meeting Turgot had already put together the questionnaire for the Chinese students and he therefore already had the *Réflexions* in his head. It is also very well possible that ideas have been exchanged via mutual friends and/or via direct correspondence.

It remains strange that *The Wealth of Nations* contains many references to French economic writers and books but not a single one to Turgot. Together with the fact that Smith wanted all his correspondence burned this could make one believe that Smith wanted to hide his use of Turgot's ideas.

All in all there are sufficient indications to conclude that Smith used the *Réflexions* as a source. The use of *Réflexions* as a source of inspiration does not mean that Smith himself did not make a considerable contribution to economic science. It does confirm, however, the valuable contribution of Turgot to economic science which however has never had the recognition it deserved.