

Edmund Burke:

A Liberal Practitioner of Political Economy

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Introduction

ALTHOUGH THE TEMPTATION to interpret the political philosophy of Edmund Burke as one of inflexible conservatism has subsided in the light of current scholarly findings,¹ the same is not true concerning the view of Edmund Burke as a political economist. Some of his critics suggest that political economy, for Burke, was a purely conservative orthodoxy, an effective means of rationalizing the status quo.² This, however, is far from the truth. Burke, in fact, held to a philosophy of political economy which was quite responsive to the necessity of economic innovation. Yet, this liberal interpretation of political economy is not immediately evident in Burke's thought. Too often, his liberal economic policy is clouded over by a more apparent than real contradiction between his pronouncements on the laws of economy and his practice of the art of politics.

Burke As A Political Economist

ALTHOUGH HE EARNED his most enduring reputation as a parliamentarian and political philosopher, Edmund Burke achieved considerable competence as a political economist. In *Palgrave's Dictionary of Political Economy*, F. Y. Edgeworth has said, "A rich vein of economic wisdom . . . runs through the whole vast tract of Burke's political writings."³ Leslie Stephen, noted commentator on English Utilitarianism, once said, "It is the least of his [Burke's] merits that his views of political economy were as far in advance of his time as his views of wider questions of policy . . ."⁴

So adept was Burke at the art of political economy that what he has written has led to comparisons with Adam Smith. While Halevy believed Burke to be one of the chief disciples of Smith,⁵ Eric Roll thought Burke had " . . . on practical grounds a greater opinion of the power

and importance of state finance than Adam Smith."⁶

Some of Burke's commentators, moreover, defend his complete originality as an economic thinker. Robert Murray refuses to call Burke a disciple of Adam Smith. "It is clear," Murray claims, "that the *Wealth of Nations* clarified the views he had long entertained."⁷ Even Smith himself is reported to have said, "After they had conversed on subjects on political economy, he [Burke] was the only man, who, without communications, thought on these topics exactly as he did."⁸

Burke himself was not silent on his efforts in the art and science of political economy. He had made political economy an object of his study from his early youth to the end of his service in Parliament. "Great and learned men thought my studies were not wholly thrown away, and deigned to communicate with me now and then on some particulars of their immortal works."⁹

There is justification for Burke's considerable reputation as a political economist. Without trying to characterize Burke formally as a member of the classical school of economics, it can be shown that he approached economic phenomena as did Adam Smith and the early followers of Smith. Like that of the classical school, Burke's economic theorizing stressed the laws governing price, that is, supply and demand. Whether the discussion at hand centered on the determination of wages, the theoretical basis for trade or the mechanics of a shifting tax, Burke's reliance upon a general theory of price determination becomes evident.

Although Edmund Burke did not develop an elaborate theory of supply and demand, he knew of the more important characteristics surrounding the nature of these concepts. Of the inverse relation between the quantity consumed of a good

and its price he was continually aware. Although he recognized the direct relation between the quantity supplied of a good and its price, Burke was able to demonstrate the more significant connection between cost, supply, and price. On one occasion, Burke described the relation between the price of meat and dairy products and the prevailing supply of wheat. If wheat is scarce, then hay is expensive, therefore, ". . . beef, veal, mutton, milk and cheese *must* be dear. . . . When the food of the animal is scarce, his flesh *must* be dear."¹⁰

Burke respected the complexity of a multi-variable economic situation. By sensing what modern economic theory would call the *ceteris paribus* assumption, he was able to recognize explicitly, for example, the relation between price and quantity consumed of a good as an economic law, yet realize that the intrusion of other variables such as money (income), population or preference changes would influence price without destroying the validity of the original economic relationship. Once, Burke showed that even though taxes should increase prices and lead to diminished consumption, this, in fact, had not occurred because of mitigating circumstances. He argued, if the price of meat ". . . has had anything like an uniform rise, this enhancement may easily be proved not to be owing to the increase of taxes, but to uniform increase of consumption and money," or, as he went on to another alternative, since the use of flesh was greater in England than elsewhere, the demand for meat, ". . . is sustained and growing even with the increase of our taxes."¹¹

For Burke, the meeting of supply and demand, or "the balance between consumption and production makes price. Market is the meeting and conference of the consumer and producer, when they

mutually discover each other's wants." Once at the market,

. . . it is not the necessity of the vendor, but the necessity of the purchaser, that raises the price. The extreme want of the seller has rather . . . the direct contrary operation. If the goods at market are beyond the demand, they fall in their value; if below it, they rise.¹²

Burke experienced little difficulty in extending his knowledge of general pricing principles to other economic phenomena, for example, wages. With startling clarity, Burke observed the connection between price and wage determination. Arguing that labor is a commodity, an article of trade subject to all the laws and principles of trade, he concluded, "It is not true that the rate of wages has not increased with the nominal price of provisions. I allow, it has not fluctuated with that price,—nor ought it . . ." Instead, "The rate of wages . . . rises or falls according to the demand."¹³

Perhaps Burke's greatest achievement as a political economist lay in the area of international trade, especially in the development of balance of payments accounting concepts. Alfred Cobban thought Burke to be one of the first prophets of free trade¹⁴ while *Palgrave's* gives ample record of Burke's refutation of the "favorable balance of trade" concept.¹⁵

Burke's explanation of the theoretical basis for international trade was an extension of his general pricing principles¹⁶ and appears to be compatible with Schumpeter's belief that early classical trade doctrines implied the theorem of comparative cost as they generalized on Adam Smith's "absolute advantage" doctrine in the following form: ". . . under free trade, commodities would be imported whenever they can be obtained most cheaply in this way."¹⁷

Burke thought little of a favorable balance of trade as a prime policy objective: "The balance of trade, which you contended for so long, is a mischievous principle; the effect of which is to accumulate a debt, and the more it inclines in your favour, the greater the debt."¹⁸ Yet it was ironic that Burke's thoughts on the technical aspects of the balance of payments components were put forth at a time when he defended, not the desirability of a favorable balance of trade, but the idea that what was apparently an adverse balance of trade was, in reality, a favorable balance of trade.¹⁹

The immediate occasion for Burke's refinement of balance of payments concepts was his attack upon a pamphlet, *The Present State of The Nation*, written by William Knox, secretary to George Grenville.²⁰ Here, Burke showed that in certain cases, particularly where trade with one's possessions was concerned, it was better to use the import rather than export items as an indication of the advantage of that trade, since extensive English capital holdings in these possessions required exporting to the mother country in order to pay off the capital obligations. Burke also suggested that profits from English enterprises in the colonies be included as an export item in the balance of trade accounts. "When the final profit upon a whole system of trade rests and centres in a certain place, a balance struck in that place merely on the mutual sale of commodities is quite fallacious."²¹

Burke also criticized the English method of balance of trade accounting *circa* 1769 for omitting what has come to be known as the "invisible items" of trade. He believed that proceeds from both the West Indian slave trade and English shipping should be included as export items. The same ought to be true, Burke argued, concerning remittances for money spent

in England by residents of English possessions as well as for goods imported from English possessions for resale in other countries.²²

Burke's Economic Philosophy

THE MOST STRIKING economic theme in the writings of Edmund Burke was his great faith in the competitive market process unfettered by the consequences of an intervening government. "Nobody," Burke once commented, "has observed with any reflection what market is, without being astonished at the truth, the correctness, . . . with which the balance of wants is settled."²³

Complementary to the competitive market process was the notion of a prudent state, although Burke never equated this with an inert government. While he admitted it was difficult to draw the line between government action and inaction, Burke would have limited the state to a general concern for those matters relating to the state itself or the creatures of the state; namely, ". . . the exterior establishment of its religion; its magistracy; its revenue, its military force . . . to everything that is *truly* and *properly* public . . ." The special economic role of government was to safeguard the rights of property, to ". . . protect and encourage industry, secure property, repress violence, and discountenance fraud. . ."²⁴

By contrast, the negative economic functions of government were, for Burke, more inclusive. Generally, any government action which tended to frustrate the accumulation, use, distribution and transmission of the many species of property and property rights, or any activity which attempted to correct imperfections in this process was viewed as an improper government function. Even in time of great economic scarcity, ". . . indiscreet tamper-

ing with the trade of provisions . . ." is presumptuous; "To provide for us in our necessities is not in the power of government. . ."²⁵

Such indiscretions by government in the economic order seemed to Burke both irreverent and doomed to failure.

We, the people, ought to be made sensible that it is not in breaking the laws of commerce which are the laws of nature, and consequently the laws of God, that we are to place our hope of softening the Divine displeasure to remove any calamity under which we suffer or which hangs over us.²⁶

Burke's belief in the futility of government intervention in the competitive market process was demonstrated on one occasion by his opposition to government legislation to control the grain market, legislation that was intended to insure a steady price of grain to the consumer.

If government makes all its purchases at once, it will instantly raise the market upon itself. If it makes them by degrees, it must follow the course of the market. If it follows the course of the market, it will produce no effect, and the consumer may as well buy as he wants. . . .²⁷

At this point, a major contradiction appears in the economic philosophy of Edmund Burke. Although in principle Burke opposed state intervention into the economic order, in fact he advocated it. While in Parliament, he put forth plans calling for the abolition of the slave trade, a comprehensive economic and financial reform of Parliament and the operations of government and the Crown, the establishment of monopolies under certain conditions and the payment of bounties to certain industries. Significantly, almost five volumes of the collected works of Burke are devoted to what is, in effect,

a rationale for legislative reform in the economic affairs of the East India Company.

The contradiction in Burke's economic philosophy is heightened when we contrast his attitude towards government intervention in the slave trade as opposed to the grain market. In the former, he called for the gradual abolishment of the trade by altering its institutional base so that in time the forces of supply would subside; in the latter, however, he deplored any alteration, even gradual, of the institutional processes within the grain market in order to mitigate the influence of supply and demand and to stabilize price. Tampering with the economic laws embodied in the operation of the grain market was futile; intervening in the operation of economic laws in the slave trade was not.²⁸

Burke's ideas on the nature of law do not help in resolving the contradiction in his economic thought. Opposed to the stable, eternal nature of economic law, Burke thought, laws of regulation were not fundamental laws. It is the public necessity in the hands of the legislator who is the master of such law. Regulatory law must possess both equity and utility; the former ". . . grows out of the great rule of equality which is grounded upon our common nature . . . the mother of justice"; the latter, although logically derived from our rational nature, must be understood as a general utility which requires that regulatory law ". . . be made as much as possible for the benefit of the whole." If the laws of economics are the laws of God, the laws of nature—a nature in which man participates—and, if laws of regulation are variable by time and circumstance yet subordinate to that "original justice" flowing from the nature of man, then, how may government

intervention into the economic order be justified?²⁹

At first, a solution to this apparent inconsistency in Burke's thought is suggested by a manipulation of the relation between economic and regulatory law. If, for example, someone's right to property in its many species (as Burke defined it) is violated, then there appears to exist a breach of "original justice" since the right to property flows from the same nature as original justice. Now, regulatory laws are subordinate to the nature of man. Therefore, regulatory laws may be used to correct the violation of the property right.

However, if this were Burke's rationale for government intervention, it was inconsistent with his views on other occasions. For example, when Burke considered the possibility of the wage rate falling below a worker's minimum subsistence he argued that government had neither the right nor the ability to do anything: "Whenever it happens that a man can claim nothing according to the rules of commerce and principles of justice, he passes out of that department, and comes within the jurisdiction of mercy." Yet, Burke believed that all men have a property right ". . . to the fruits of their industry." In a wage below subsistence level, Burke saw a violation of property rights, yet he still counselled non-intervention. In this situation, the laws of economics took precedence over the laws of property despite, in Burke's eyes, their common origin in nature.³⁰

On another occasion, Burke, although he showed great compassion for those "wretches" doomed by the economy to "degrading . . . unwholesome and pestiferous occupations" gave his obeisance to the laws of economy which would be generally "pernicious to disturb." Again,

injustice was tolerated even though Burke believed that justice is the great standing policy of civil society; and any serious departure from it, under any circumstance, lies under the suspicion of being no policy at all.³¹

What, then, leads to this contradiction in Burke's thought? What compels him to preach non-intervention and to practice intervention; to preach the futility of tampering with economic laws yet advocate specific regulations to insure the cessation of certain economic principles? And, once the contradiction is explained, does it offer some criteria for rationalizing, in Burke's thought, the intervention of government into the economic order?

If state intervention were to take place, Burke would agree that it would occur because of some conflict between individual interests (or ideas about those interests) or, a conflict between the individual and general interest. For the English Utilitarians, this conflict was resolved in several ways. If sympathy is the predominating feeling within man, the identification of the personal and general interest spontaneously occurs since the feeling of sympathy interests us directly in the happiness of our neighbor. This is called the principle of the fusion of interests. If, on the other hand, egoism is the most prominent feeling within man, several possibilities of reconciling conflicting interests occur. First, the principle of the natural identity of interests which holds that conflicting interests are harmonized automatically despite the egoisms of human nature. Second, the principle of the artificial identification of interests, which says that egoism is incompatible with harmony; therefore, the legislator must bring about an artificial identification of interests.

Burke thought egoism and its economic corollary, maximum economic gain, to be

a natural and reasonable principle, ". . . the grand cause of prosperity . . . the main-spring of the commercial machine," yet he believed the principle of sympathy was also natural to man; through it "we enter into the concern of others; that we are moved as they are moved, and are never suffered to be indifferent spectators of almost anything which men can do or suffer." Burke's greater commitment, however, is to the principle of sympathy. In his only formulation of a specific harmony of interests doctrine, Burke held, ". . . the benign and wide Disposer of all things, who obliges men, whether they will or not, in pursuing their own selfish interests, to connect the general good with their own individual success."³²

Alfred Cobban interprets this passage as an expression of the natural identity of interests doctrine.³³ However, Burke's statement reveals neither the automatic harmonizing of conflicting interests, the natural identity of interests doctrine, nor the intervention of a harmonizing agent, the artificial identification of interests doctrine. Burke's harmony of interests doctrine is an imperative rather than indicative statement of the fusion of interests principle; not only is man inclined to be more sympathetic than egoistic, man also is obligated to be sympathetic, to connect his own good with the good of others.

Although Burke's belief in the sympathetic fusion of interests appears irreconcilable with the importance of egoism in his economic thought, still, since the fusion of interest principle deemphasizes rather than denies egoism, Burke might have subordinated the narrow, though important, role of egoism to the role of sympathy. Burke suggested this when he connected the farmer's "too avaricious" quest for profit—profit itself being a good thing—to the farmer's sympathetic interest

in the condition of the worker.³⁴ Despite the presumption here of an enlightened propertied class automatically fulfilling its obligations, the subordinate position of egoism to sympathy is strongly implied by Burke. The farmer, acting out the egotistical role of economic man calculating maximum advantage, acquires wealth, but, in the process, his higher propensity to sympathy is displayed since the act of acquiring wealth means he is aware of his obligations to those who labor for him.

To suggest, however, that Burke called for government intervention in the economy when "obligations" went unfulfilled would be to go too far. Burke believed the presence of certain conditions in society would allow egoism to work within a framework of altruistic or sympathetic considerations. Primary as a regulator of egoism was a functioning religious establishment within the state. The necessity of this can be seen in Burke's attack on the French revolutionary government's efforts to abolish the religious establishment and replace it with a form of state education. This education, Burke argued, was founded only on the material wants and desires of men and could not progressively carry to an enlightened self-interest, ". . . which when well understood, they tell us, will identify with an interest more enlarged and public."³⁵

Another condition necessary for the prudent exercise of egoism was the presence of a certain type of economic market structure and its relation to the freedom of contract. Burke thought the interests of farmer and laborer to be the same with no possibility of their free contract being onerous to either party. This harmonious identification of interests was especially true if the contract was in the nature of a compromise; a condition Burke believed to be true always. Compromise, he felt, was ". . . founded

on circumstances that suppose it is in the interest of the parties to be reconciled in some medium."³⁶ This medium, for him, was price in a competitive market, the objective norm of an economy. Thus, knowledge that price in the competitive market was an equitable one permitted the operation of egoism, an egoism enlightened by the reconciliation of interests through the compromise process of the free contract. Consequently, the sympathetic fusion of interests was assured.

Conversely, monopoly destroyed the operation of the fusion of interests principle by permitting egoism to override sympathy. Burke believed that as monopoly perverted the "general equity" of the competitive market by raising price beyond its just level, so it forbade the just price as a datum for compromise through the free contract. So pervasive was the unbridled egoism of monopoly, Burke thought, that even the employees of a monopolistic enterprise would be moved by ". . . the same spirit for their own private purpose."³⁷

Therefore, not only was Burke's rationale for state intervention in the economy based upon the imperative form of the fusion of interests principle; also, it presupposed the breakdown or absence of certain conditions within the economy—conditions which would allow economic egoism to operate within a framework of sympathetic considerations. When, for example, the institutions of competition and the free market, free contract or religion were modified or removed, Burke's conception of the sympathetic fusion of interests could not operate. Then, government intervention was imperative. If the opposite were true, government intervention was as futile as it was unnecessary.

Consequently, any attempt by the state to raise the wages of farm laborers or to stabilize the price of grain was unnecessary. Things were as they should be,

especially in the case of the farmer and laborer whose "interests are always the same."

Burke's objections to monopoly, and in particular to the monopolistic abuses of the East India Company, now appear more understandable. However, Burke was not against the establishment of monopolies by the government, but the restrictions upon and obligations of these monopolies were dutifully spelled out by him.³⁸ Burke thought the government-granted monopoly to be involved in a trust or a fiduciary relationship. He believed that conditions prevail which enable the monopoly to be aware of, or sympathetic with, the obligatory relation between its own special economic interest and the more general interest. Once the fiduciary relation was violated, as Burke thought to be true of the East India Company, the absence of the principle of sympathy to restrain or enlighten the principle of egoism is presumed.

Burke's faith in the power of government legislation to restore the sympathetic fusion of interests was clearly evident in his plan of economic reform for civil government. By reversing the plan of payment for government services, "putting each class forward according to the importance or justice of the demand, and to the inability of the persons entitled to enforce their pretensions," Burke hoped to restore the proper relation of egoism to sympathy and bring about the connection of the individual with the more general interest:

When the new plan is established, those who are now suitors for jobs will become the most strenuous opposers of them. They will have a common interest with the minister in public economy. Every class, as it stands now, will become security for the payment of the preceding class; and thus the persons

whose insignificant services defraud those that are useful would then become interested in their payment. Then the powerful, instead of oppressing, would be obliged to support the weak; and idleness would become concerned in the reward of industry. The whole fabric of the civil economy would become compact and connected in all its parts; it would be formed into a well-organized body, where every member contributes to the support of the whole, and where even the lazy stomach secures the vigor of the active arm.³⁹

Burke's liberal approach to economic policy was not solely the consequence of his willingness to intervene in economic affairs when the general harmony of interests was threatened; it was also the outcome of his belief in a specific form and extent which government legislation should take. Any formal act of government intervention, Burke thought, must distinguish between reform and innovation. The latter

. . . alters the substance of the objects themselves, and gets rid of all their essential good as well as of all the accidental evil annexed to them. Change is novelty; and whether it is to operate any one of the effects of reformation at all, or whether it may not contradict the very principle upon which reformation is desired, cannot be certainly known beforehand. Reform is not a change in the substance or in the primary modification of the object, but a direct application of a remedy to the grievance complained of. So far as that is removed, all is sure. It stops there; and if it fails, the substance which underwent the operation, at the very worst, is but where it was.⁴⁰

For Burke, reform was always related to the preservation and improvement of an institutional structure conducive to the operation of the sympathetic fusion of interests.

¹Francis Canavan, *The Political Reason of Edmund Burke* (Durham, N. C.: 1960) and Peter Stanlis, *Edmund Burke and The Natural Law* (Ann Arbor: 1958).

²Alfred Cobban, *Edmund Burke and The Revolt Against the Eighteenth Century* (New York: 1929), Ch. VII; Elie Halevy, *The Growth of Philosophic Radicalism* (New York: 1928), p. 230.

³Henry Higgs, ed., *Palgrave's Dictionary of Political Economy* (London: 1925), I, 194.

⁴Leslie Stephen, *History of English Thought in the Eighteenth Century* (2 vols., reprint, New York: 1927), II, 223.

⁵Elie Halevy, *op. cit.*, p. 230.

⁶Eric Roll, *A History of Economic Thought* (rev.; New York: 1942), p. 230.

⁷Robert Murray, *Edmund Burke* (London and New York: 1931), p. 258.

⁸Donald Cross Bryant, *Edmund Burke and His Literary Friends* (St. Louis: 1939), p. 248. Also, *Palgrave's Dictionary of Political Economy, op. cit.*, p. 195.

⁹*The Works of the Right Honorable Edmund Burke* (12 vols., 5th ed.; Boston, 1877), V, 191. Hereafter cited as *Works*, etc.

¹⁰*Works*, V, 160-161, 143.

¹¹*Works*, I, 324.

¹²*Works*, V, 142, 151.

¹³*Works*, V, 136, 142.

¹⁴Alfred Cobban, *op. cit.*, p. 193.

¹⁵*Palgrave's Dictionary of Political Economy, op. cit.*, p. 88.

¹⁶*Works*, I, 394-395; VIII, 42.

¹⁷Joseph A. Schumpeter, *History of Economic Analysis* (New York: 1954), p. 607.

¹⁸Charles Williams and Richard Bourke, (eds.) *Correspondence of the Right Honourable Edmund Burke, 1744-1797* (London: 1844) Vol. IV, p. 477.

¹⁹*Palgrave's Dictionary of Political Economy, op. cit.*, p. 88.

²⁰*Ibid.*

²¹*Works*, I, 319-320, 283-287.

²²*Works*, I, 285-286, 319-320.

²³*Works*, V, 151.

²⁴*Works*, V, 166, 466.

²⁵*Works*, V, 133.

²⁶*Works*, V, 157.

²⁷*Works*, V, 154.

²⁸*Works*, VI, 259, 263.

²⁹*Works*, V, 195; VI, 323-324, 195.

³⁰*Works*, V, 145-146; III, 308, 415.

³¹*Works*, III, 445, 438-439.

³²*Works*, V, 455; VIII, 72; V, 141.

³³Alfred Cobban, *op. cit.*, p. 192.

³⁴*Works*, V, 141.

³⁵*Works*, III, 428.

³⁶William C. Dunn, "Adam Smith and Edmund Burke: Complementary Contemporaries," *The Southern Economic Journal*, July, 1940-April, 1941, p. 345. Also, *Works*, V, 139, 151.

³⁷*Works*, VIII, 10, 147.

³⁸Williams and Bourke, *op. cit.*, pp. 459-462.

Also, *Works*, II, 438-441.

³⁹*Works*, II, 355, 351.

⁴⁰*Works*, V, 186.