

Sismondi: A Neglected Pioneer

Thomas Sowell

History of Political Economy, Vol. 4, N° 1, Spring 1972

J. C. L. SIMONDE DE SISMONDI (1773–1842) originated more fundamental economic concepts and theories than many economists of wider and more enduring fame. Yet when he is remembered at all, it is usually as one among many opponents of Say's Law, or for his questionable theories of technological unemployment, or as the reputed "father of interventionism."¹ But it was Sismondi who first developed the theory of equilibrium aggregate income, who first produced an algebraic growth model, and who anticipated more celebrated economists on a number of other points. Although Keynes lauded Malthus' *Principles of Political Economy* as a forerunner of his own *General Theory*, Marx was perhaps a little closer to the truth when he cynically characterized Malthus' *Principles* as merely the "English translation" of Sismondi.² What makes Sismondi's contribution all the more remarkable is that (i) he achieved fame primarily as an historian, (ii) he had no university training,³ and (iii) his work was marred by a lack of intellectual rigor which was noted by his contemporaries as well as by later commentators.⁴ The looseness of his presentation must be counted as a major—though not the sole—cause of his neglect.

The man now known as Sismondi was born in Geneva in 1773 as Jean Charles Leonard Simonde. He made his surname "Simonde de Sismondi" upon returning to Geneva in 1800 from exile in Italy,

MR. SOWELL is Associate Professor of Economics in the University of California at Los Angeles.

1. William E. Rappard, *Economistes genevois du XIX^e siècle* (Geneva, 1966), p. 433; see also Michel Lutfalla, "Sismondi: Critique de la loi des débouchés," *Revue Economique*, July 1967, p. 672. But compare Henryk Grossman, *Simonde de Sismondi et ses théories économiques* (Warsaw, 1924), pp. 17–18.

2. Karl Marx, *Theorien über den Mehrwert* (Berlin, 1968), pt. 3, p. 47.

3. Jean-R. de Salis, *Sismondi* (Paris, 1932), p. 47.

4. Rappard, pp. 331–32; de Salis, p. 48; Charles Gide and Charles Rist, *A History of Economic Doctrines*, 2d ed. (Boston, n.d.), p. 190 n. Rosa Luxemburg, *The Accumulation of Capital* (New York, 1968), p. 190.

where he had discovered records of a noble Italian family named Sismondi, from whom he claimed to be descended.⁵ He was sufficiently tentative or embarrassed about the change to use his original name on his first economic work, *De la Richesse commerciale*, in 1803. By the time he came to write the work for which he is best known in economics, *Nouveaux Principes d'économie politique*, in 1819, he was and remained Simonde de Sismondi. The stormy and unsuccessful struggle of Sismondi with the classical school of economics was paralleled by a stormy personal life, involving three exiles, three imprisonments, a change of citizenship, a love affair frustrated by family objections to marriage plans, periods of financial strain, and a final row with political foes in Geneva just before he died of cancer in 1842. Sismondi was a man of moderate and fluctuating fortune, as his family was forced to flee the storms generated by the French Revolution and the later reactions. Sismondi was too aristocratic for the revolutionaries, too liberal for the restorationists, and too individualistic to belong to any intellectual cult or school. As a person, he was by all accounts a man of high principles and great generosity, amiable but lacking in social graces, increasingly bitter against the neglect and misunderstanding of his economic theories, but honoring his adversaries in general and reserving special affection for Ricardo in particular.

Sismondi was a gentleman farmer, but changing political and economic fortunes led him into a variety of occupations, from clerk to professor of philosophy, the latter being one which displeased him because of "the petty intrigues" of academic life.⁶ In early adulthood, he was a protégé of Madame de Staël and remained part of her intellectual circle for some years. His international travels and associations (including an English wife in 1819) made him cosmopolitan in outlook, though he returned to his native Geneva and a small circle of friends to spend his declining years.

In politics, Sismondi was a practitioner as well as a theorist. Himself a victim of the passions unleashed by the French Revolution, he opposed all forms of dogmatism and appeals to mass ac-

5. His family's name had been changed at least once before, since they were known as "Symond" when they first settled in Geneva in 1692, after fleeing political dangers in France. De Salis, pp. 6-7; Elie Halévy, *Sismondi* (Paris, 1933), pp. 3-4.

6. De Salis, p. 46.

tions, but in philosophy and policy he exemplified many of the values of the eighteenth-century intellectual godfathers of the Revolution. He believed in equal protection and equal opportunity, but not equal conditions.⁷ "I am," he said, "a liberal, better yet, a republican, but never a democrat."⁸ He repeatedly attacked slavery,⁹ opposed imperialism,¹⁰ and denounced governments for their "gigantic projects" and "pointless wars."¹¹ Characteristically, Sismondi refused to support Napoleon or to accept honors from him at the height of his glory, but rallied to his support when he returned from Elba to lead a lost cause against the restorationists.¹² Sismondi was active in the political life of Geneva up to the eve of his death.¹³

In economics, Sismondi began as a disciple of Adam Smith, intending his *Richesse commerciale* as simply a systematic presentation and elaboration of the principles scattered through the rambling *Wealth of Nations*. It was, however, "not quite the Smithian brew it has been made out to be,"¹⁴ both by later commentators and by Sismondi himself when emphasizing the new departure represented by his later works. Indeed, in *Richesse commerciale* itself, Sismondi advanced the claim of "presenting the national balance" in an "absolutely new" manner.¹⁵ In the text he used arithmetic examples in which (i) the output of a given year was 2.5 times the wages fund of the preceding year,¹⁶ (ii) the successive hypothetical quanti-

7. J. C. L. Simonde de Sismondi, *Nouveaux Principes d'économie politique*, 3d ed. (Geneva, 1951), 1: 33-34, 36; *ibid.*, vol. 2. (Geneva, 1953), pp. 137, 244; *idem*, *Etudes sur l'économie politique* (Paris, 1837), 1: vi, ix, 10.

8. De Salis, p. 461 n.

9. *Nouveaux Principes*, 1:151, 158; 2:291; *Etudes*, 1:1, 5, 35, 93, 367, 377-448; J. C. L. Simonde [de Sismondi], *De la richesse commerciale* (Geneva, 1803), 2:350-51; J. C. L. Simonde de Sismondi, *Etudes sur les constitutions des peuples libres* (Paris, 1836), p. 11.

10. J. C. L. Simonde de Sismondi, *Political Economy* (New York: Kelley, 1966), p. 75. This is a reprint of Sismondi's encyclopedia article of the same title and not to be confused with a translation of Sismondi's essays entitled *Political Economy and the Philosophy of Government. Nouveaux Principes*, 1:312; 2:194.

11. *Nouveaux Principes*, 2:165.

12. De Salis, pp. 44, 168, 172, 218-21.

13. *Ibid.*, pp. 239-40, 462-63.

14. J. A. Schumpeter, *History of Economic Analysis* (New York, 1954), p. 493.

15. *Richesse commerciale*, 1:99.

16. *Ibid.*, p. 101 n.

ties of "revenue," "expenditure," and "savings" were traced from year 1799 to 1800 to 1801,¹⁷ and (iii) in three countries which have, respectively, no foreign trade, an export surplus, and an import surplus.¹⁸ The parallel algebraic reasoning underlying the arithmetic examples was elaborated in a lengthy footnote spreading over five pages.¹⁹ This systematic model building was not only original and suggestive of modern growth models, it was in sharp contrast to Sismondi's loose reasoning in his later and better known *Nouveaux Principes*. The earlier work was not only more systematic and abstract in its aggregative model, it was more precise in its definitions, including a carefully worded glossary of terms, in sharp contrast to Sismondi's later shifting uses of such terms as "revenue" and his explicit disavowal of any attempt at precise definitions.²⁰ This puzzling methodological retrogression may reflect a reaction to the Ricardian method of reasoning, which was the *bête noire* of Sismondi's later economic writings—a similar change from an early "theoretical" position to a later "institutional" position occurred in Malthus—or it may reflect the Germanic influence of Madame de Staël's circle during Sismondi's early intellectual career as against the looser French style of his later years. It might also be some combination: in criticizing the abstractions and technicalities of the Ricardian school, Sismondi likened them to the German metaphysicians.²¹

Although the early growth model of his *Richesse commerciale* marked a new departure with important potential, it made no impact, since the book itself was little noticed. Moreover, it was not used to attack or question the classical propositions now known as Say's law—and the book closed with a strong support of this pillar of classical orthodoxy.²² Sismondi never resumed interest in his growth models, though his *Nouveaux Principes* contained arithmetic examples whose underlying algebraic argument was essentially the same as that of his earlier work.²³

Sismondi's break with the classical tradition came in 1815, when

17. *Ibid.*, pp. 100–104.

18. *Ibid.*

19. *Ibid.*, pp. 104 n.–108 n.

20. Sismondi, *Etudes*, 2:143; see also 2:227, 228; 1:115.

21. *Ibid.*, 1:85 n.–86 n.; *Nouveaux Principes*, 2:283.

22. *Richesse commerciale*, 2:446–47.

23. *Nouveaux Principes*, 1:96–97.

he wrote an article, "Political Economy," for the *Edinburgh Encyclopedia* in which he presented the skeleton of the argument that was later fleshed out in *Nouveaux Principes* (1819) and repeated still later (1837-38) in his *Etudes sur l'économie politique*. In the midst of a general survey of economics, which was quite orthodox in most respects, appeared a theory of equilibrium aggregate income. It was not, as such, an attack on Say's law, and in fact polemics were initiated by the other side in their reviews of the same ideas when they appeared in *Nouveaux Principes*. The basic point of Say's law—the secularly unlimited growth potential of the economy—was never challenged by Sismondi, or for that matter, by Malthus, Lauderdale, or most other supporters of "general glut" theories. But at this period in its history, Say's law was also used to imply that equilibrium was possible at any given level of aggregate output, that *internal proportions*—not aggregate quantity—made the difference between equilibrium and disequilibrium. Such obvious dislocations as unsold goods and unemployment were never denied by the supporters of the orthodox position, but their explanation was disproportionality rather than insufficient aggregate demand. Logically, following their premise, they concluded that equilibrium could be restored at a *higher* level of aggregate production²⁴ by increasing the output of goods which were in less than equilibrium proportions to other goods, rather than by reducing the latter in order to reach

24. "A glut is an increase in the supply of a particular class of commodities, unaccompanied by a corresponding increase in the supply of those other commodities which should serve as their equivalents." [Robert Torrens,] "Mr Owen's Plans for Relieving the National Distress," *Edinburgh Review*, Oct. 1819, p. 471. "It is not a consequence of production being too much increased, but of its being too little increased. Increase it more . . . and the surplus will immediately disappear." [J. R. McCulloch,] "The Opinions of Messrs SAY, SISMONDI, and MALTHUS, on the Effects of Machinery and Accumulation, Stated and Examined," *Edinburgh Review*, March 1821, pp. 106-07. "But it is self-evident that this want of effectual demand, or profitable vend, would be occasioned, not by an excess, but by the deficiency of products. Increase the effective powers of industry . . . and then the interchange of one half of each against one half of the other, will replace, with a surplus, all the ingredients of capital advanced. In every conceivable case, it is the deficiency, not the excess of products which prevents our finding a profitable vend." Robert Torrens, *An Essay on the Production of Wealth* (London, 1821), pp. 391-92. "It is because the production of some commodities has declined, that other commodities are superabundant." J. B. Say, *A Treatise on Political Economy* (Philadelphia, 1834), p. 134.

the same necessary proportions. Say's law was invoked to show that there was no such thing as an equilibrium aggregate income. This set off one of the longest, most wide-ranging, and most heated controversies in the history of economics—the “general glut” controversy which reached its peak in the 1820s, involving almost every major economist of the period, as well as many minor figures and popular journals, and which continued on into the 1830s and 1840s, even after the death of most of the key participants.

A highly critical review of *Nouveaux Principes* appeared in the *Edinburgh Review* in October 1819 and drew an immediate reply from Sismondi in the *Annales de Législation et de Jurisprudence* in 1820, as well as a passing reply on one point in Malthus' *Principles* in 1820.²⁵ This was met by an attack on both Sismondi and Malthus in the *Edinburgh Review* for March 1821, as well as by a lengthy rejoinder to Malthus' criticism in Torrens' *Essay* in 1821.²⁶ From this point on, the articles, letters, pamphlets, books, and verbal confrontations become too numerous and involved to trace.²⁷ Sismondi was in the thick of the early polemics. He exchanged polemical articles with J. B. Say in the *Revue Encyclopédique* in 1824—both articles bearing the same title, “Sur la balance des consommations avec les productions”—and placed a rejoinder to Say in the appendix to the second edition of his *Nouveaux Principes* in 1827. He encountered Ricardo while visiting England in 1819 and again in Geneva during the latter's tour of the continent in 1822—exchanging a few words on the first occasion and having an extended argument on the second.²⁸ He clashed with McCulloch during a visit to Britain in 1826, in a manner which led him afterwards to fear that he (Sismondi) had been “rude” and that McCulloch would “retain some resentment against me.”²⁹ In general, Sismondi treated his

25. T. R. Malthus, *Principles of Political Economy* (London, 1836), p. 323.

26. Robert Torrens, *An Essay on the Production of Wealth*, pp. 384 ff.

27. Useful but incomplete surveys may be found in B. J. Gordon, “Say's Law, Effective Demand, and the Contemporary British Periodicals, 1820–1850,” *Economica*, Nov. 1965, pp. 438–46, and in Thomas Sowell, *Say's Law* (Princeton Univ. Press, forthcoming), chap. 4.

28. David Ricardo, *The Works and Correspondence of David Ricardo*, ed. Piero Sraffa (Cambridge: Cambridge Univ. Press, 1951–55), 8:22; 9:218.

29. J. C. L. Simonde de Sismondi, *Political Economy and the Philosophy of Government* (London, 1847), p. 448.

adversaries with respect,³⁰ and received their good will,³¹ though not always their intellectual respect³² in return. His ideas made scarcely a dent on the Ricardians and were largely ignored in his native Geneva and in France,³³ but he apparently had an important influence on the later writings of J. B. Say. Sismondi noted on September 26, 1826: "I had this morning a visit from Say, who said to me that his friendship for M. Ricardo and his school has very often cramped him, but that in truth he finds that they have injured the science by the abstractions into which they have thrown it, and that he shall be obliged, in the new edition he is preparing, absolutely to oppose them."³⁴

The fifth edition of Say's *Traité*, which appeared at the end of 1826, did in fact contain, in the chapter on the law of markets (i) an acceptance and elaboration of the Sismondian theory of equilibrium income in Sismondian language,³⁵ though without any reference to him by name, and (ii) an observation that "it is only in abstract quantities that there are infinite progressions" while "we are studying practical political economy here,"³⁶ but without any specific reference to the Ricardians at this point. In a later letter to Malthus, Say frankly stated, "I will confess that my doctrine on *markets* is in fact subject to some restrictions," so much so that the recently revised *Traité* "revealed that restriction, even though Messrs. *Ricardo*, *Mill*, and *MacCullouch* had adopted my doctrine in that regard," because he felt it was "better to stick to facts and their consequences than to syllogisms."³⁷ Sismondi also reported

30. Sismondi, *Nouveaux Principes*, 1:17, 70; 2:246, 248, 275, 306.

31. Ricardo, *Works*, 9:236, 243; 10:278; J. B. Say, *Œuvres diverses* (Paris, 1848), p. 250.

32. McCulloch dismissed Sismondi as "too much of a sentimentalist to make a good political economist." Ricardo, *Works*, 8:25. And Ricardo saw in his work only "a very poor performance." *Ibid.*, p. 57.

33. De Salis, p. 423.

34. Sismondi, *Political Economy and the Philosophy of Government*, p. 449.

35. Jean-Baptiste Say, *Traité d'économie politique*, 5th ed. (Paris, 1826), 1:194-96.

36. *Ibid.*, pp. 194-95.

37. Say, *Œuvres diverses*, pp. 503, 505. A letter from Say to Thomas Tooke also stated that "the method of investigation" of Ricardo, McCulloch, and others was producing "a science of adepts" and of "vain subtleties." *Ibid.*, p. 527. In an earlier letter to Tooke, Say declared that "many of your compatriots" would "reduce economic questions" to "obscure metaphysics," that they were

receiving a letter from Say "with some concessions to my principles on the limits of production."³⁸ Unfortunately, English translations of Say's *Traité* are all from the *fourth* edition of 1821, thereby missing the important additions which appeared in Say's final edition. In a textbook, *Cours complet d'économie politique*, published in 1828-29, Say followed the chapter on the law of markets by one called "Limits to Production"—repeating part of the title of one of Sismondi's chapters³⁹—in which he again set forth a theory of equilibrium income along Sismondian lines. Yet there were no repercussions of this in British economics, which was the dominant economics of the period, and it has been largely lost sight of in the history of economic thought.⁴⁰

Sismondi's failure to affect the theoretical development of economics and, even more important, the direction of economic policies, was a disappointment which continued bitter to the end of his days. He had no fear of secular stagnation, or even of serious depressions, growing out of the normal operation of a free market, but he feared government-sponsored programs to artificially promote economic development by growing industries "in hothouses,"⁴¹ without regard to the state of the market. He saw in the depressions that followed the Napoleonic wars evidence of overproduction. Increasingly, his appeals were to "facts" rather than to theories or reasons.

The Sismondian Growth Model

Sismondi's first economic writing, *Richesse commerciale*, had a concept of circular flows of goods and money, opposite in direction

"founding their arguments on abstract principles rather than on observed facts. . . ." *Ibid.*, p. 525.

38. Sismondi, *Political Economy and the Philosophy of Government*, p. 447.

39. J. B. Say, *Cours complet d'économie politique*, 3d ed. (Paris, 1852), vol. 1, chap. 3; *Nouveaux Principes*, vol. 1, bk. 2, chap. 3.

40. Paul Lambert noted the Say-Malthus correspondence of 1827, but attributed Say's change of mind to the exchange with Malthus, even though (i) Say *began* the exchange by mentioning his change of mind, and (ii) the changes were already at that point incorporated in the 1826 edition of the *Traité*, and (iii) similar changes were mentioned in letters to Tooke in 1826, quoted in note 37 above. See Paul Lambert, "The Law of Markets Prior to J. B. Say and the Say-Malthus Debate," *International Economic Papers*, no. 6 (1956), p. 17.

41. *Nouveaux Principes*, 2:304; *Etudes*, 1:112, 2:364.

and equal in value.⁴² But although the two flows "must necessarily be equal"⁴³ to each other, this was not an identity, but was a consequence of equilibrating tendencies: "Imagine a nation which generally has no foreign commerce at all. The product of its labor will consequently be equal to its consumption since, if it were to produce more than it could consume, making no exports, a part of the fruits of its labor would be useless, would fall in price and would arrest production for the following year."⁴⁴

"Consumption," during this period in the development of economics, referred to aggregate demand—both investment ("productive" consumption) and consumption ("unproductive" consumption).⁴⁵ In this sense, Sismondi could say that if a nation's output in a given year "were to surpass its consumption of the same year, there would be an excess to consume in the following year, which would discourage further production, by rendering it useless."⁴⁶ Although there was nothing new here theoretically, beyond what had already appeared in the Physiocrats,⁴⁷ Sismondi was launched on a course of reasoning very different from that of the contemporary defenders of Say's law, particularly the Ricardians. The latter were concerned to show (i) the necessary equality of output and purchasing power,⁴⁸ (ii) a kind of behavioral rationality which precluded attempts to hoard,⁴⁹ and (iii) the ability of a free market

42. ". . . each transference of merchandise supposes an equal transference of money, equal in value and in the opposite direction. . . ." *Richesse commerciale*, 1: 127.

43. *Ibid.*, pp. 84–85.

44. *Ibid.*, p. 90.

45. "Thus, the nation, when it forms manufacturing establishments, does not diminish its consumption; it consumes, in a productive manner, what it formerly consumed unproductively." Sismondi, *Political Economy*, pp. 27–28.

46. *Richesse commerciale*, 1:111.

47. "Consumption is the measure of reproduction, since production which remained unconsumed would degenerate into superfluity, without utility, without value, and from that point advances would cease to be made for their cultivation." [Pierre François Joachim Henri Le Mercier de la Rivière,] *L'Ordre naturel et essentiel des sociétés politiques* (London, 1767), 2:250; see also *ibid.*, pp. 138–39, 249–51.

48. James Mill, *Commerce Defended* (London, 1808), pp. 81, 83; J. B. Say, *A Treatise on Political Economy*, p. 170; John Stuart Mill, *Principles of Political Economy*, ed. W. J. Ashley (London, 1909), pp. 557–58.

49. James Mill, *Commerce Defended*, pp. 75, 77; J. B. Say, *A Treatise on Political Economy*, p. 137; Nassau W. Senior, *Three Lectures on the Rate of*

Table 1. *Some Key Variables of Sismondi*

SISMONDIAN SYMBOL	DEFINITION	MODERN SYMBOL
P	<i>Production</i> —the total annual output of the current period. ^a In an all-agricultural economy, the most recent harvest	Y_t
N	<i>Salairé nécessaire</i> —the necessary supply price of labor in the <i>previous</i> period	W_{t-1}
X	ΔN —“the difference between the previous necessary wage and that advanced during the current year, a difference which can be either 0, positive, or negative.” ^b	$(W_t - W_{t-1})$
D	<i>Dépense</i> —aggregate expenditure of the nonlaboring classes during the current period	$(C_t + I_t) - W_t$

a. Sismondi, *Richesse commerciale*, 1:105 n. b. *ibid.*, p. 107 n.

to be cleared at any given level of output⁵⁰—all points to which Sismondi made no objections. In addition, Ricardo argued that there could be no such thing as a theory of aggregate output,⁵¹ and took a comparative statics approach, which contrasted with Sismondi's concern for the lagged effect of current “consumption” on future production. Sismondi defined several key variables for use in a model of a closed economy (Table 1).

Sismondi's arithmetic examples used such additional terms as “revenue” and “savings,” the implied relationship in the numerical results being that revenue minus expenditure equaled savings.⁵²

Wages (London, 1831), p. 49; James Mill, *Elements of Political Economy*, 3d ed. (London, 1844), pp. 226–27; John R. McCulloch, *Principles of Political Economy*, 5th ed. (Edinburgh, 1864), p. 157.

50. Torrens, *Essay*, p. 370; J. R. McCulloch, p. 156; Ricardo, *Works*, 2:303, 314.

51. “Political Economy you think is an enquiry into the nature and causes of wealth—I think it should rather be called an enquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation. No law can be laid down respecting quantity, but a tolerably correct one can be laid down respecting proportions.” Ricardo, *Works*, 8:278.

52. *Richesse commerciale*, 1:104, 105.

Following the pattern above, two new "Sismondian" symbols may be added— R and E (*Revenue* and *Epargnes*)—and their corresponding modern versions, R_t and S_t .

According to Sismondi, " $P-N$ is revenue";⁵³ to render this first in Sismondian terms, and then in modern terms:

$$R = P - N \quad (1)$$

$$R_t = Y_t - W_{t-1} \quad (1a)$$

Current consumption "is $D + (N + X)$ ";⁵⁴ Sismondi's own equations can be used here:

$$D + (N + X) = P, \quad \text{or} \quad (2)$$

$$D = P - (N + X)$$

The modern counterpart would be:

$$(C_t + I_t) - W_t + (W_{t-1} + W_t - W_{t-1}) = Y_t \quad (2a)$$

$$C_t + I_t = Y_t$$

According to Sismondi, whether national output grows, remains stationary, or declines depends upon the difference between "revenue" and "expenditure"⁵⁵ or on X , the incremental wages fund. He did not explain why these two statements were equivalent, but it can be readily derived from equations (1) and (2) above.

$$D = P - (N + X) = (P - N) - X = R - X \quad (3)$$

$$R - D = X$$

In modern terms:

$$R_t - D_t = (Y_t - W_{t-1}) - (Y_t - W_t) = W_t - W_{t-1} \quad (3a)$$

Since $R - D$ was definitionally "savings," then

$$S_t = W_t - W_{t-1} \quad (4a)$$

With wage payments being the only form of investment in this simplified model, incremental wage payments ($W_t - W_{t-1}$) were equal to net investment during a given period. It followed that

$$S_t = I_t \quad (5a)$$

53. *Ibid.*, 1:105 n.

54. *Ibid.*

55. *Ibid.*, 1:82, 99-104, 105 n.

Moving from definitions to theories, Sismondi assumed that the output of a given period was a constant (2.5) times the wages fund of the previous period.⁵⁶ This was incorporated into his numerical examples but not his explicit equations:

$$Y_t = k (W_{t-1}) \quad (6a)$$

Incremental output was, therefore, the same multiple of net investment:

$$Y_{t+1} - Y_t = k (W_t) - k (W_{t-1}) = k (W_t - W_{t-1}) = kI_t \quad (7a)$$

$$Y_{t+1} = Y_t + kI_t = C_t + I_t + kI_t = C_t + (1 + k) I_t \quad (8a)$$

Although equation (8a) was never derived by Sismondi, even in his own terms, it fits the numerical examples in *Richesse commerciale*, as well as in *Nouveaux Principes*,⁵⁷ the only difference between the two books in this regard being that k is 2.5 in the former and 5 in the latter.⁵⁸ Modified equations were developed for an economy with international trade,⁵⁹ but the principles remained the same.

Equilibrium Income and "General Gluts"

A "glut" in classical economics was a situation in which goods were sold at less than their cost of production (or were unsold at cost-covering prices). Everyone agreed that this could happen in particular sectors of the economy—that there could be "partial gluts." The controversy arose over whether aggregate output might prove to be salable only at less than cost-covering prices—a *general* glut. A fatal ambiguity in the concept of "cost" prevented the opposing sides in the general glut controversy from coming to grips with each other's basic arguments. The classical supporters of Say's law treated "cost" as the factor cost actually paid ex post while Sismondi—and, after him, Malthus and others—treated "cost" as the ex ante supply price. With no leakages from the circular flow, output would necessarily be sold at cost-covering prices in the sense used by Say and the Ricardians, but need not be in Sismondi's sense

56. *Ibid.*, 1:101-2.

57. *Ibid.*, pp. 99-104; *Nouveaux Principes*, 1:96-97.

58. *Richesse commerciale*, 1:101; *Nouveaux Principes*, 1:96-97.

59. *Richesse commerciale*, 1:105 n.-108 n., 215 n.-216 n.

of receiving prices sufficient to cause their reproduction in subsequent time periods.

Sismondi's *Richesse commerciale* defined the "necessary price" as that required so that the producers do not "become disgusted and quit their work," the "relative price" as representing the "sacrifices which the buyer is willing to make," and the "extent of the market" as the quantity of goods for which consumers "offer a relative price equal to the intrinsic price." These terms appeared again in *Nouveaux Principes*,⁶⁰ but without definitions. In his later *Etudes*, costs were defined as "not what it has cost now, but what it would cost hereafter."⁶¹ Differences between expectations *ex ante* and results *ex post* permitted aggregate supply to differ from aggregate demand. Sismondi's emphasis on costs as supply prices rather than as actual factor payments reflected the fact that he was not concerned with *clearing the market* but with the *sustainability* of a given volume of aggregate output. Moreover, Sismondi's costs reflected the underlying disutility of production, and demand its underlying utility. His analysis, in fact, began with a man stranded alone on a desert island, to show how the two were balanced by him,⁶² and then, by extension, by society at large.⁶³ In society, the complexity of the market made miscalculations *possible*,⁶⁴ but the price mechanism tended to maintain equilibrium⁶⁵—except where governmental policies interfered: "The development of nations proceeds naturally in all directions; it is scarcely ever prudent to obstruct it, but it is no less dangerous to hasten it. . . ."⁶⁶

Contrary to interpretations in the literature, it was not inherent defects of the capitalist economy⁶⁷ but the deliberate policies of contemporary governments which Sismondi regarded as the primary cause of glutted markets. Government growth schemes were "indiscriminately pushing production"⁶⁸ and trying to grow industries in

60. *Ibid.* 1:347-48; *Nouveaux Principes*, 1:238.

61. *Etudes*, 2:381.

62. *Nouveaux Principes*, 1:75, 251; 2:259-60.

63. *Ibid.*, 1:76, 251.

64. *Ibid.*, 1:251.

65. *Ibid.*, 1:114-15.

66. *Political Economy*, p. 73; *Nouveaux Principes*, 1:330.

67. As claimed by Grossman, pp. 35, 42, 50, 65, 72; and by Rosa Luxemburg, p. 213.

68. *Nouveaux Principes*, 1:260.

“hothouses.”⁶⁹ Although the private capitalist’s interest would lead him “to do what suits the country best,” Sismondi feared that the “ardor” of “all governments” who had artificially “excited every species of production,” brought about “a disproportion between labor and demand,”⁷⁰ with disastrous consequences. Reasoning still in the lagged terms of his earlier work, Sismondi argued that an artificial increase of investment in one period would raise wages temporarily, causing a growth of population which would turn out to be unemployable in later periods, as reduced returns on capital led to disinvestment.⁷¹ In such circumstances, when governments find themselves “charged with a population which they have created, by demanding superfluous labor,” Sismondi urged intervention on grounds that governments have an “obligation to provide for their needs,”⁷² to “intervene at least to destroy the evil which they have created.”⁷³ While Sismondi recommended, in general, only “indirect means” of dealing with economic problems through government policy, in emergency conditions “legislation must come to the rescue in a more direct manner,”⁷⁴ but he was by no means a *dirigiste*: “By allowing the greatest freedom to capital, it will go where profits call, and these profits are the indication of national needs.”⁷⁵

While Sismondi accepted *laissez-faire* as a principle, he opposed it as a dogma. He was not prepared to “reduce political economy to the simplest maxim . . . to *laisser faire* and *laisser passer*.”⁷⁶ He urged the principle of guaranteed wages to be pressed upon industries in order to prevent short-run increases of demand for labor from creating an excess dependent population.⁷⁷ He suggested that the government use its “indirect influence” by promoting transportation and communication, good tax laws, a good system of justice, etc., and perhaps in that way compensate for its harmful mercantilistic measures.⁷⁸

69. *Ibid.*, 2:304; *Etudes*, 1:112, 2:364.

70. *Nouveaux Principes*, 1:332; *Political Economy*, p. 74.

71. *Nouveaux Principes*, 2:203; see also 1:330-31.

72. *Ibid.*, 1:330, 331; see also 2:232.

73. *Ibid.*, 2:309.

74. *Ibid.*, 2:228.

75. *Ibid.*, 1:332.

76. *Ibid.*, 1:17.

77. *Ibid.*, vol. 2, bk. 7, chap. 9.

78. *Ibid.*, 1:342.

The concept of an equilibrium income is implicit in the idea of a general glut, but with Sismondi (in contrast to Malthus, Lauderdale, and others) the term "equilibrium" is explicit and occurs repeatedly throughout his writings.⁷⁹ He saw clearly the distinction between his theory of an equilibrium income and the Say-Ricardo theory that there could be no aggregate overproduction but only internal disproportionality:

You have produced too much, say some. You have not produced enough, say the others. Equilibrium will be reestablished, say the first, peace and prosperity will be created again, only when you have consumed all this surplus of merchandise which remains unsold on the market, and when you have regulated your production thereafter by the demand of the buyers. Equilibrium will be re-created, say the others, provided that you redouble the efforts to accumulate as well as to produce. You are mistaken when you believe that our markets are glutted. Only half our stores are filled; let us similarly fill the other half, and these new riches, exchanged against the others, will revive trade.⁸⁰

The question of "the balance of consumption and production" was for Sismondi "the fundamental question in political economy."⁸¹ He was concerned to explain "violent crises,"⁸² not secular stagnation:

I have sought to show that the natural course of nations was the progressive increase of their prosperity, the consequent increase of their demand for new products, and of their means of paying for them.⁸³

Although Sismondi had no theory of secular stagnation, as sometimes suggested,⁸⁴ he did not believe that equilibrium was immediately reestablished after every disturbance period. There were difficulties

79. *Richesse commerciale*, 1:63, 139, 145; *Political Economy*, pp. 60, 86; *Nouveaux Principes*, 1:25, 234, 235; 2:148, 253, 269, 284, 303.

80. *Nouveaux Principes*, 2:253.

81. *Etudes*, 1:96-97.

82. *Nouveaux Principes*, 2:247.

83. *Ibid.*, 2:308.

84. Grossman, p. 42.

of exit for capital, businessmen, and specialized labor.⁸⁵ There were, in some cases, backward bending supply curves.⁸⁶ Moreover, fixed capital would continue to operate at a loss whenever closing down would involve a bigger loss.⁸⁷ Education was also “a sort of fixed capital,”⁸⁸ and like other fixed capital, it continued to produce for less than its long-run supply price during periods of depression.⁸⁹ Additionally, speculative inventory accumulation by merchants and consumers alike retard still further “the period when the balance can be reestablished between consumption and production.”⁹⁰ These frictions and destabilizing responses did not make a depression permanent, but exacted a toll before recovery: “a certain equilibrium is reestablished, it is true, in the long run, but it is by a frightful suffering.”⁹¹

Money played no essential role in Sismondi's theory of overproduction. Indeed, the theory was first developed in a Robinson Crusoe model and then in a barter economy “deliberately,” according to Sismondi, in order to show that money was not necessary to explain it.⁹² Like his classical contemporaries, Sismondi treated money as a “veil.” It “simplified all mercantile operations and complicated all philosophic observations, of which the same operations are the object.”⁹³ But also like his classical contemporaries, he recognized that monetary phenomena were involved in cyclical downturns, though he did not regard such phenomena as playing an initiating role or as affecting the end result. Although he referred, in general terms, to the stability of monetary velocity,⁹⁴ this did not imply—for him or for his contemporaries—that velocity remained constant during all phases of the business cycle. Indeed, he referred to monetary contraction during downturns⁹⁵ and considered controlled re-

85. *Nouveaux Principes*, 1:256.

86. *Ibid.*, 1:254–55.

87. *Ibid.*, 1:255.

88. *Ibid.*, 1:131; see also 1:254, 296.

89. *Ibid.*, 1:296–97, 254–55.

90. *Political Economy*, p. 72.

91. *Nouveaux Principes*, 2:148.

92. *Ibid.*, 1:118.

93. *Ibid.*, 1:121.

94. *Ibid.*, 2:82.

95. *Ibid.*, 2:83; *Etudes*, 2:394.

flation as a policy at such times.⁹⁶ None of this was original with Sismondi, and in fact he acknowledged his debt to the writings of Henry Thornton on these points.⁹⁷

One of the puzzling concepts used in Sismondi's discussions of equilibrium income and general gluts was "revenue." While this is translatable as "income,"⁹⁸ such a translation misses what Sismondi himself called the "mysterious and incomprehensible" nature of the concept,⁹⁹ which he referred to by the same word in English as in French,¹⁰⁰ although he knew the English word "income."¹⁰¹ Revenue was not synonymous with income or output. In *Richesse commerciale*, Sismondi had defined revenue as current output minus previous labor costs ($P - N$ or $Y_t - W_{t-1}$).¹⁰² In *Nouveaux Principes* this definition reappeared as one among several which were used interchangeably without warning. Sometimes "revenue" meant a "value by which the finished product surpasses the advances made to produce it"¹⁰³—as originally—but "revenue" was also used as the sum of property incomes plus the workers' "ability to work,"¹⁰⁴ though Sismondi recognized that the latter was "incommensurable" with material wealth.¹⁰⁵ In his *Etudes*, revenue was also used "in the largest sense" to include all incomes—wages, profits, and rents—¹⁰⁶ without abandoning his earlier definitions or the conclusions based on them.

The basic idea running through Sismondi's arguments and definitions was that "revenue" was a supply price which determined reproduction in the next time period. The profitability of past production as discovered in the current period ($P - N$) fitted this general pattern of thought, as did the attempt to add together prop-

96. *Nouveaux Principes*, 2:84.

97. *Ibid.*, 2:83-84.

98. As is done in J. C. L. Simonde de Sismondi, "Two Papers on Demand," *International Economic Papers*, no. 7 (1957), pp. 7-39.

99. *Etudes*, 1:139.

100. *Political Economy*, pp. 21, 26, 27, 32, 33, 34, 35, 39, 66, 77, 82, 94, 96, 97, 99, 100, 101, 107, 111, 114, 130.

101. *Political Economy*, pp. 82, 83, 84.

102. *Richesse commerciale*, 1:105 n., 345.

103. *Nouveaux Principes*, 1:95.

104. *Ibid.*, 1:95-96, 102, 104, 108, 112.

105. *Ibid.*, 1:103.

106. *Etudes*, 1:122-23.

erty incomes from past investments and current labor income—the “ability to work” counted as “revenue” only when actually employed¹⁰⁷—in order to be able to compare aggregate demand with aggregate output. According to Sismondi, “the national revenue is composed of two quantities, of which one is past and the other present—or, if you will, one present and the other future.”¹⁰⁸ This revenue was considered in terms of the units of labor which it could purchase, like Malthus’ “labor command” or Keynes’s “labor units”:

Wages do not represent an absolute quantity of labor, but only a quantity of subsistence which sufficed to support the workers in the previous year. The same quantity of subsistence will put in motion, the following year, a greater or lesser quantity of labor, and from that fluctuation in the proportion between these two values results the increase or decrease of the national wealth, the comfort or poverty of the productive class, the multiplication or the destruction of population.¹⁰⁹

In making the equality of revenue and output an equilibrium condition rather than an identity,¹¹⁰ Sismondi was not guilty of the crude underconsumptionism of believing that output somehow exceeded income, nor was he anticipating later Keynesian or Marxian arguments¹¹¹ involving monetary phenomena: “It is not money which the consumer is in want of, but revenue.”¹¹² Even in a barter economy, expectations could cause overinvestment, rising wages (reducing the labor command per unit of output), and then declining rates of return on capital. Aggregate revenue, measured by its labor command, would be insufficient to reproduce the same quantity of output subsequently. In this sense, it is possible to understand how Sismondi could refer to output and revenue as being sometimes equal,¹¹³ sometimes unequal,¹¹⁴ sometimes rising at different rates or even moving in opposite directions.¹¹⁵

107. *Nouveaux Principes*, 1:103.

108. *Ibid.*

109. *Ibid.*

110. *Ibid.*

111. Cf. Grossman, pp. 58, 77; Lutfalla, pp. 668, 672.

112. *Political Economy*, p. 82.

113. *Nouveaux Principes*, 1:103.

114. *Ibid.*, 1:276–77, 301, 302, 303; 2:251–52.

115. *Richesse commerciale*, 1:84–85; *Etudes*, 2:448–49.

Population

Sismondi attacked the dominant Malthusian population theory of his time, questioning the famous "ratios" of food and population growth, not simply on empirical grounds but because he had detected the fatal ambiguity in Malthus' shifting use of the word "tendencies." Sismondi saw that Malthus' "tendencies" sometimes referred to abstract potentialities (population had the *capability* of growing faster than the food supply) and sometimes to empirical facts (population *historically* grew as much as the food supply permitted it to grow). Nassau Senior and Richard Whately were later to attack Malthus on the same ground,¹¹⁶ and to be credited with being the first to do so,¹¹⁷ but Sismondi preceded them by more than a decade. Moreover, Sismondi pointed out that Malthus considered the abstract potentiality of population growth in comparison to an historical generalization about the growth of the food supply. It was "completely sophistical" to compare "the possible growth of the human population" with "the positive growth of animals and vegetables."¹¹⁸ Sismondi compared them on the same bases: the abstract growth potential of people and food, and then the historical growth of people and food. In consistent senses, it was by no means apparent, or even plausible, that population tended to increase faster than the food supply. First he considered the situation with regard to potentialities: "Abstractly speaking, the multiplication of vegetables follows a geometric progression infinitely more rapid than that of animals, and the latter is in its turn infinitely more rapid than that of men. . . ."¹¹⁹

Here the "power of multiplication is virtual in vegetables, animals, and men,"¹²⁰ and there was no tendency for man to increase faster than his food supply. In an empirical sense also, according

116. Richard Whately, *Introductory Lectures on Political Economy* (London, 1832), pp. 248-50; Nassau W. Senior, *Two Lectures on Population* (London, 1829), pp. 36, 56, 58, 77.

117. Mark Blaug, *Ricardian Economics* (New Haven, Conn., 1958), pp. 111, 112, 113; Edwin Cannan, *A History of Production and Distribution Theories* (London, 1894), pp. 170-71; Kenneth Smith, *The Malthusian Controversy* (London, 1951), pp. 183, 183 n., 184-89, 213.

118. *Nouveaux Principes*, 2:182.

119. *Ibid.*

120. *Ibid.*, 2:82.

to Sismondi, "human generations do not grow as fast as subsistence."¹²¹ The proposition that population is *limited* by the food supply—often confused with a more dubious proposition that population *varies* with the food supply—was accepted by Sismondi as "true only abstractly but in a manner inapplicable to political economy," because population "has never reached those limits and probably never will."¹²² Differential class fertility, with the greatest fertility being in the poorest class, showed that "what Malthus regards as a law of human nature" was in fact a social phenomenon, since "nourishment is not lacking" among the wealthy and the aristocratic.¹²³ Actual population growth was "regulated solely by revenue"—that is, "revenue limited and distributed as it is,"¹²⁴ and with people's ideas of an adequate standard of living varying from class to class. The rapid population growth among the poor was a social phenomenon, rather than a general characteristic of human nature, and was due to the hopelessness of the position of "proletarians"¹²⁵ and the impossibility of their foreseeing and planning for their economic future.¹²⁶ Sismondi argued that "the natural limits of population are always respected by men who have something, and always exceeded by those who have nothing."¹²⁷

Sismondi believed that wages above subsistence caused population to grow, and therefore the adult labor force to grow with a lag.¹²⁸ Because of this lagged response of the labor force to higher wages, he was greatly concerned that the demand for labor be stable rather than have painful downward adjustments of population size recurring because of wage and employment fluctuations.¹²⁹ His scheme of guaranteed wages and employment was intended to deal with this problem by (i) reducing a firm's incentive to increase hiring to meet a temporary demand, and by (ii) supporting the workers during periods of slack demand for labor at the expense of the industry

121. *Ibid.*, 2:97.

122. *Ibid.*, 2:181.

123. *Ibid.*, 2:84.

124. *Ibid.*, 2:171.

125. *Ibid.*, 1:21.

126. *Ibid.*, 1:175, 229-30.

127. *Ibid.*, 1:26.

128. *Ibid.*, 1:105, 246, 254; 2:203.

129. *Ibid.*, 2:192; see also 2:172 and 1:319.

in which they were employed, instead of allowing unstable industries to externalize part of their labor costs to public charity.

Unlike his classical contemporaries, Sismondi supported poor-law relief, and did not believe that it increased improvident marriages.¹³⁰ He welcomed the empirical work of John Barton, which indicated to him that (i) periods of population growth often varied inversely with wage movements,¹³¹ that (ii) the marriage rate was continually declining despite the popular arguments that poor-laws were increasing it,¹³² and that (iii) the great population growth which others attributed to economic causes was in fact due to improvements in public health and the advances of medicine, which reduced mortality.¹³³ Sismondi was not optimistic about the condition of the poor, however. He regarded the problem of caring for the unemployed poor as "the most difficult problem to resolve in political economy,"¹³⁴ and recognized the danger that poor-laws could add to population problems.¹³⁵ He regarded technological unemployment as a great menace,¹³⁶ along with cyclical fluctuations and the growth of an urban proletariat without sufficient hope to restrain themselves in producing children.

Methodology

Sismondi continued to regard himself as a disciple of Adam Smith,¹³⁷ even after developing his heretical views—which he treated as "modifications" or "complements" to Smith's system¹³⁸—and this was nowhere more apparent than in his discussions of methodology in economics. What Sismondi admired most about Smith was his *combination* of facts and theory. According to Sismondi, Smith had recognized that "it was only from a judicious observation of facts that one could deduce principles."¹³⁹ Before Smith there had been

130. J. C. L. Simonde de Sismondi, Review of two books by John Barton, *Annales de Législation et d'Economie Politique*, Nov. 1822, p. 101.

131. *Ibid.*, p. 93.

132. *Ibid.*, pp. 101–102.

133. *Ibid.*, pp. 97–98, 101.

134. *Ibid.*, pp. 110–11.

135. *Nouveaux Principes*, 2:204.

136. *Ibid.*, 2:209–24.

137. *Ibid.*, 1:31, 66; *Etudes*, 1:118, 2:121.

138. *Nouveaux Principes*, 1:29, 31, 68–69.

139. *Ibid.*, 1:64.

theories which were "ingenious but not well founded."¹⁴⁰ Smith's system was "no less ingenious, but better nourished with facts and observations."¹⁴¹ He contrasted this with "the abstractions" of Smith's "new disciples" in England.¹⁴² But despite Sismondi's many attacks on the abstractions of the Ricardians,¹⁴³ which have caused him to be regarded as an early "institutionalist" or "historical" economist,¹⁴⁴ his objection was not to abstraction as such, but to its abuse:

It is a natural habit of the human mind to seek to reduce all its operations to the simplest formulas, to generalize all its rules, and to accomplish this uniform procedure whenever it can to avoid more complicated procedures. That habit, which tends to simplify everything, to classify everything, to generalize everything, is no doubt the most essential cause of the progress of various sciences. It is not necessary, however, to abandon oneself to it in an unreflecting manner. . . .¹⁴⁵

Sismondi himself was not at all averse to abstracting from money,¹⁴⁶ international trade,¹⁴⁷ or all agricultural goods besides wheat,¹⁴⁸ or to developing theories from Robinson Crusoe models,¹⁴⁹ or using many mathematical examples throughout his economic writings.¹⁵⁰ Abstraction was treated as unavoidable. Precisely because of the intertwining and transformation of capital and revenue into one another in the real world, the analytical distinction between them was important.¹⁵¹ Because income flows were so difficult to grasp in a complex economy, the principle had to be illustrated by referring to "a single family."¹⁵² Sismondi did not consider it

140. *Ibid.*, 1:63.

141. *Ibid.*

142. *Ibid.*, 1:69.

143. *Ibid.*, 2:147, 248, 250-51, 275.

144. De Salis, p. 73.

145. *Nouveaux Principes*, 2:115.

146. *Ibid.*, 2:279.

147. *Ibid.*, 1:109.

148. *Ibid.*, 2:279.

149. *Ibid.*, 1:71, 73; *Etudes*, 1:121.

150. *Richesse commerciale*, 1:100-104, 104 n.-108 n., 215 n.-216 n.; *Nouveaux Principes*, 1:115-16; 2:82-83, 231, 218; *Etudes*, 1:81 n.-91 n.

151. *Nouveaux Principes*, 1:89.

152. *Ibid.*, 1:96.

“necessary to renounce the defense of what appeared to me to be the truth because that truth was abstract, difficult to grasp,” and likely to be misinterpreted.¹⁵³ He noted that even those “practical” men who reject “theory” were implicitly following defunct theories which persisted as popular prejudices.¹⁵⁴ At other times, however, Sismondi invoked “practical” men against the supporters of Say’s law.¹⁵⁵ His objection to Ricardo’s abstractions was that they abstracted from precisely what was crucial to the issue at hand—by assuming constant equilibrium in capital and labor markets¹⁵⁶—and that Ricardo’s reasonings were all based on “a hypothetical world completely different from the real world,”¹⁵⁷ a world of abstractions which he never left.¹⁵⁸

Sismondi, like Smith, regarded economics as a direct instrument of policy,¹⁵⁹ rather than as a system of principles as Ricardo did.¹⁶⁰ Economics was with Sismondi a branch of political science.¹⁶¹ As a direct instrument of policy, it needed institutional information¹⁶² rather than “intellectual systems.”¹⁶³ Instead of “isolating principles or examining them in an imaginary world,” it was necessary to follow their action “in the midst of society and in the cross currents of all the complications of current interests.”¹⁶⁴ Nor was Sismondi prepared simply to accept generalizations from facts. Economics (and other social sciences) were *experimental*, even though the experiments were not controlled.¹⁶⁵ History was not simply a record of facts but a test of theories.¹⁶⁶ The economic crises of the

153. *Ibid.*, 2:249.

154. *Ibid.*, 1:57.

155. *Ibid.*, 1:115, 259; 2:274.

156. *Ibid.*, 1:234, 235; 2:147.

157. *Ibid.*, 2:256.

158. *Ibid.*, 2:147.

159. *Ibid.*, 1:37, 38, 39, 69; 2:168, 250.

160. Ricardo, *Works*, 8:184.

161. J. C. L. de Sismondi, *A History of the Fall of the Roman Empire* (London, 1834), p. 3; *Richesse commerciale*, 1:ix; *Nouveaux Principes*, 1:37; see also *ibid.*, 1:68, 2:108.

162. *Richesse commerciale*, 1:xv; *Nouveaux Principes*, 1:69; *Etudes*, 1:iv.

163. *Richesse commerciale*, 1:xvi; *Etudes*, 1:133.

164. *Annales de Législation et d’Economie Politique*, Nov. 1822, p. 83.

165. *Nouveaux Principes*, 1:64; *A History of the Fall of the Roman Empire*, pp. 7, 8.

166. Sismondi, *Etudes sur les constitutions des peuples libres*, pp. 1–2; *A History of the Fall of the Roman Empire*, p. 1.

1820s were cited as showing events which were "completely unexpected" by followers of the dominant economic theories while they "conformed perfectly" to "explanations which I had given in advance."¹⁶⁷ The key point made against the Ricardians, by their contemporaries as well as by later commentators on "the Ricardian Vice" was that they ended up with real-world policies directly on the basis of their abstract model. A similar idea was suggested by Sismondi, who said that they were often guilty of "jumping over the intermediate links in a chain of reasoning."¹⁶⁸

Sismondi opposed "systems" in political as well as economic theory. He said that "dogmatic writers, all those who wished to raise a system, need to attach it to some striking idea understood by all,"¹⁶⁹ as something "at the disposal of the most limited mind, and as deriving rigorously from a small number of indisputable principles,"¹⁷⁰ the kind of "general rules" by which "young people, barely out of the university, can believe themselves ready to present constitutions to their country and all countries."¹⁷¹ Economics could not be based "on a mathematical succession of theorems, deduced from obscure maxims, given as indisputable truths,"¹⁷² at least not in the policy sense conceived by Sismondi.

General Conclusions

Sismondi originated a number of significant advances in economics which would have been important "contributions" if they had been accepted into the ongoing stream of classical economics. As it was, many were rejected or ignored and had to be rediscovered and redeveloped by later economists as if Sismondi had never lived. Among his more fundamental advances were these:

1. *The theory of equilibrium income.* Sismondi explicitly applied the concept of "equilibrium" to aggregate output and produced a theory of its determinants—namely, the balance of the disutility of production and the utility of

167. *Nouveaux Principes*, 1:18.

168. *Ibid.*, 2:262.

169. *Etudes*, 1:133.

170. *Richesse commerciale*, 1:i.

171. Sismondi, *Etudes sur les constitutions des peuples libres*, p. 31.

172. *Richesse commerciale*, 1:xiv.

output, as reflected in factor-supply conditions and product-demand conditions.¹⁷³

2. *The development of growth model equations.* Sismondi advanced beyond the mere *conception* of an economy as a whole and the role of its aggregates—which the Physiocrats had—to a set of crude equations yielding results similar to modern post-Keynesian models.
3. *The distinction between increased demand and increased quantity demanded.* The Ricardians, including John Stuart Mill as well as Ricardo's contemporary disciples, meant by demand *the quantity demanded ex post*—or rather, their long-run-equilibrium model made no distinction between *ex ante* and *ex post*. In this sense, supply and demand were always equal. Sismondi, however, distinguished an increased quantity of sales during overproduction from an increased quantity of sales resulting from an increased desire or ability to pay. Only the latter—more sales “at the same price”¹⁷⁴ was an increased demand. The purely quantitative concept of demand characteristic of the Ricardians¹⁷⁵ was necessarily equal to supply—an identity used in defense of Say's law¹⁷⁶—but Sismondian demand equaled supply only when it covered costs.¹⁷⁷ Sismondi's sketchy but repeated discussions of this point were more systematically developed in Malthus.¹⁷⁸
4. *A theory of destabilizing responses to disequilibrium.* While both Sismondi and the supporters of Say's law recognized the possibility of disequilibrium (overproduc-

173. The Physiocrats had an implicit notion of equilibrium income, since they mentioned the reduction in output which would follow unsold goods; but they had no *theory* of equilibrium income determination. Lauderdale had a theory of equilibrium investment in 1804; but in his system, fluctuations in investment did not imply fluctuations in aggregate output, but only in its division between consumption and investment.

174. *Nouveaux Principes*, 1:116.

175. Ricardo, *Works*, 1:382; 6:129; J. S. Mill, *Principles*, p. 446.

176. James Mill, *Commerce Defended*, p. 82; [J. R. McCulloch,] “Effects of Machinery and Accumulation,” *Edinburgh Review*, March 1821, p. 108; [Torrens] “Mr Owen's Plans,” p. 470.

177. *Nouveaux Principes*, 2:254.

178. Malthus, *Principles of Political Economy*, pp. 61–69.

tion and disproportionality, respectively) and the tendency of the economy to automatically correct it, Sismondi alone developed a theory of behavior (backward bending supply curves and inventory speculation) which would take the economy further away from equilibrium, though he implicitly assumed that these would ultimately be overcome by other tendencies bringing it back.

5. *The concept of a shutdown point for the firm.* It had long been recognized that individual firms would sometimes be forced to *sell* at less than cost-covering prices, but Sismondi argued that they would *continue to produce* at less than cost-covering prices, where the alternative was to lose still more by shutting down. He did not specify the shutdown conditions, but only indicated that firms were more prone to produce below cost when there was much fixed capital.

In addition, Sismondi advanced methodologically beyond his contemporaries in clarifying the meaning of the Malthusian theory of population and in bringing to the surface the difference between dynamic analysis and the comparative statics of the Ricardians. Shrewd intuitive and analytical insights were Sismondi's forte; consistency, rigor, and system building were not. The best that can be said for his theory of technological unemployment is that he abandoned it under fire.¹⁷⁹ All in all, Sismondi was a pioneer, with all that this implies, not only of primacy but of crudity.

The almost total neglect of Sismondi's ideas remains a mystery. In Sismondi's own view, it was due to his attacking a dominant *system*¹⁸⁰ which had an attractive symmetry, determinacy, and comprehensiveness. To some extent, he was undoubtedly right: it takes a system to beat a system, and his rambling examples and shifting terms make it difficult to see the system underlying it all. Another major factor was Sismondi's intellectual isolation. He belonged to no school in economics and his policy positions put him at the opposite end of the political spectrum from "general glut" economists such as Malthus, Lauderdale, and Chalmers, whose proposals involved favoring landlords, government sinecurists, and fundholders in the national debt rather than Sismondi's "prole-

179. *Nouveaux Principes*, 2:289; *Etudes*, 2:336.

180. *Nouveaux Principes*, 1:17.

tarians." Moreover, although the basic Sismondian analysis and that of Malthus are practically identical as theory, Malthus was never as much a promoter of Sismondi as Sismondi was of him, possibly because Sismondi preceded him into print with ideas which Malthus already held, as revealed in his correspondence with Ricardo.¹⁸¹ Sismondi received equally shabby treatment from Karl Marx and his followers, who owed several ideas to Sismondi.¹⁸² Marx's voluminous *Theorien über den Mehrwert*, the first great history of economic thought, deliberately omitted Sismondi,¹⁸³ although covering other economists who were even less well known, and he was dismissed with patronizing references elsewhere in Marx and received little better treatment from Marx's disciples.¹⁸⁴ Sismondi's independence and distrust of rigid systems—perhaps born of his experiences with the French Revolution and the later reactions—made him unwilling to raise a banner or to fall in behind anyone else's banner. He was simply a man who sought truth and tried to deal with the sufferings he saw around him. This made his name and his doctrines of little use to leaders of contemporary crusades or founders of dogmatic movements. Perhaps the traits which best characterize Sismondi are those which he admired in Ricardo, "urbanity, good faith, and love of truth."¹⁸⁵

181. Ricardo, *Works*, 6:111-12, 142, 155-56, 303; 7:122.

182. For example, the central importance of the "proletarians," an increasing concentration of capital, recurring business cycles, technological unemployment, economic dynamics, and the recurring theme of poverty in the midst of plenty.

183. On grounds that a study of Sismondi would have to come *after* a discussion of competition and credit. Marx, *Theorien über den Mehrwert*, pt. 3, p. 48.

184. Cf. V. I. Lenin, *A Characterization of Economic Romanticism: Sismondi and Our Native Sismondists* (Moscow, 1951); Grossman, p. 76; Luxemburg, pp. 173-218.

185. *Etudes*, 1:81 n.

The research for this article was made possible by summer grants from Cornell University, Brandeis University, and the University of California at Los Angeles.