

# The tradition of Friedrich List

## *French political economy from Jean Bodin to Charles Dupin—part 2*

Following the principle of the “universal workingman,” it is man’s task to transform the world into a “universal manufacture,” which is the principle binding together the system of national Commonwealths or, in Leibniz’s terms, alliance of sovereign republics. Derived from this, Jean Bodin’s concrete proposals involved a nest of international trade arrangements and monetary agreements to base the exchange of goods on hard currencies controlled by republican states, this in turn implying a repudiation of the debasement of coinage by all members of the world community (debasement of coinage represented the looting of national wealth by Genoese bankers of Italy and the Fugger house).

The lessons of Jean Bodin were assimilated after his death by Henry IV and his Navarre humanist counselors; Colbert is the broadest achievement of the same policy, later continued in the eighteenth century by the great Colbertians of the Louis XV administration, most notably Forbonnais and Trudaine the Elder, who started a new industrial process in France upon which the victories of the American Revolution and of the armies of the French Republic were both built. There is an absolute continuity, if not always a direct one, between this humanist conspiracy in economic science and the nineteenth century developments of Chaptal, Dupin and List.

### **The issue of social value**

From the sixteenth century onwards, the issue of the secular fight of the humanist forces, then organized mainly in France, against the financial oligarchs of the cities of Amsterdam and London, was centered, in economic terms, on the notion of social value. Following Petty and Locke, the British-Dutch conception locates value in labor as an exchangeable commodity, a fixed good conceived of as the equivalent of the other source of wealth, land. “Economics,” in this conception, consists of using the goods as much as possible (manual labor, predatory agriculture) for as little expense as possible, and then to sell the product at the highest possible nominal price. In the long term, only the fittest are supposed to survive: this means the destruction of the national land and population, the notorious “limits to growth” outlined by the law of Malthus and the Club of Rome. The “solution” to the dilemma of an

ever-contracting world was, as seen by London and Amsterdam, to cut back the domestic consumption of the “lower classes” to the very limits of total destruction, and maintain that lowest limit of consumption through a systematic policy of looting and destruction applied to the land and populations of other countries.

For that purpose, a network of black propaganda was organized throughout Europe and the world: the notion of “economic science” as a distinct area of knowledge, governed by its own laws and requiring “free trade” and “government abstention” to reach a balanced, stable state, was pushed as a cover for the acceptance of Genoese, Dutch and then British merchant rule of organized, controlled consumption and population collapse.

It is against this evil that the Zollverein conception was developed—from the Renaissance to List—as the proper institution for the *expansion of labor power as opposed to the exploitation of a fixed labor exchange value*. Man, in that conception, is conceived as Bodin’s self-perfecting particle participating in the negentropic process of the universe, producing new resources through the creation of mediating objects (machines) transforming matter to higher states. Wealth is not and cannot be a commodity (gold, land, or manual labor) but is the *power* to develop man’s willful mastery of the universe, advancement of the productive forces. List refers explicitly to this conception when he accuses Adam Smith of “dealing only with the effects of material exchanges and not at all with the productive forces.”

Henri IV’s Zollverein, organized by Sully and Barthelemy de Laffemas, follows that conception entirely. Laffemas conceived wealth as manufacturing: “manufacturing should be France’s gold and silver mines because *labor is the law of the universe*.” He pointed out that increased industrial efforts were absolutely necessary to develop the land without exhausting its capacities (irrigation, fertilizers) and stressed that only prosperous industries could increase the markets and capital for farming.

Laffemas’s self-conscious identity was that of a national leader of the same caliber as List. Following Bodin and Duplessis-Mornay, he had a clear understanding that to reestablish manufacturing development, “royal assistance should be organized, and careful

regulations implemented.” His “economics system” was conceived around three interconnected bodies for development promotion:

- State-controlled “guilds” as the means of regulating labor, maintaining high wages and keeping high the standard of products.
- State-controlled “Chambers,” gathering the best masters of the guilds as supervisors.
- An “Office of Manufactures,” with large powers of administration and regulation in each of the largest cities.

To speed up the overall process of industrialization and the corresponding, necessary education of the French population, Laffemas outlined two measures:

- Temporary prohibition of imports of manufactured goods, unless implying a new technological process not existing in France, and prohibition of exports of certain raw materials following a list published by the King according to the needs of the developing national industry.
- Admission into France of scientists and skilled foreign workers, and easy naturalization procedures for all those wishing to become French citizens.

This program was discussed within and implemented through a “Commission du Commerce” (Trade Committee), created by Henry IV in 1601 as a policy-making body for French development with participation of government administrators, industrialists, merchants and skilled workers. An enormous amount of work was accomplished by the Commission between 1602 and 1604, including the organizing of networks of economic informers throughout France. It is following that first model that the European industrialists’ associations were later organized, including List’s Handelsverein.

Royal loans were systematically granted at low interest rates to promoters of new industries, mechanical innovations and improved industrial processes were introduced (new steelmaking methods, mills for beating copper, machines to lift loaded boats, manufactures of white lead and lead pipes to build sewers in the main cities, advanced mining technologies and so forth), and roads, bridges and waterways were built throughout the country.

## ‘Colbertism’

The modernization and industrialization of France under Henri IV was achieved in a relatively short period of time, despite poor financial conditions inherited from the wars of religion and owing to Sully’s various debt moratoriums declared against the Genoese banking houses. Under Louis XIII, Barthelemy de Laffemas’s son, Isaac, was a key economic adviser of Richelieu, and it is the Bodin-Laffemas tradition which directly produced the great Colbert.

It is Colbert—List’s explicit political reference—who deliberately equipped France with all the resources of industrial production, basing his effort on scientific and social progress—the academy conception of Leibniz. The essence of “Colbertism” is described by a close collaborator of Charles Dupin in the following terms: “Our times, so rich in hazardous trials, have nothing which can be compared to the boldness of the creations of his time; all of them seemed to be cast in one piece, because they were so wisely coordinated and directed towards a unique goal. *A higher and unique impulsion presided over all the motions of production throughout our country.*”

Colbert’s unique contribution is his overall conception of economic development, subsuming all particular areas of means of production. His approach to customs tariff “protection” was precisely based on that development process of the national industry. His measures, on that specific point, follow similar principles as Laffemas’s: “To reduce customs taxes on exports of goods manufactured in the kingdom, to also reduce import taxes on all products necessary to the general development of our industry, but to increase our taxes on all products from foreign manufacturers unfairly competing with ours.”

As List later did in Germany, Colbert often emphasized to Louis XIV that there is not an abstract economic science which defines the competence and measures to be taken—or not taken—by governments, but the political development of the republic as the primary rule.

The usual story told in university textbooks is that the French Colbertist tradition was somewhat lost during the eighteenth century or degenerated into mere “balance of trade mercantilism,” all efforts being concentrated at merely accumulating silver, gold and currencies in the financial reserves of the nation. The dominant reformist economic school of the times is supposed to be the physiocratic (economist) sect, for which land is the only source of wealth and free trade the necessary economic system to expand land-based productions.

The official controller of the French economic sect was none other than Lord Shelbourne, the great-grandson of Sir William Petty and closest associate of butcher William Pitt.

The truth of the matter is that despite the lies and slanders of Adam Smith, David Ricardo and Jean-Baptiste Say, the physiocrats were nothing but a court pressure group until the death of Louis XV. The only fact that had given some credibility to their backward ravings was the fears against credit issuance induced into the French population by the infamous British Law’s bankruptcy of the 1720s, produced by the issuance of credit for the West Indies Company hoax under the cover of a national banking system. Otherwise, the dominant drive in the administration and Army of

France was Colbertist: the physiocratic conception of land value and absolute free trade was at best considered in those circles as an absurd stupidity.

## Forbonnais and Galiani

Two cases in point are Forbonnais's (1722-1800) *Economic Principles* and Ferrier's *Government Considered in its Relations to Trade* (1805).

François Véron de Forbonnais, a collaborator of Trudaine, Machault, Silhouette, the Abbot Terray and later Dupont de Nemours (himself not a physiocrat in his general outlook), was the economic thinker of Vergennes's American Party, allied with Napolitan Abbot Galiani. Galiani was the key negotiator in the Spanish-French Family Pact of 1761 against England and the organizer of the Jesuits' expulsion from France in 1764. If not themselves creators of the Colbert dimension, these are the true maintainers of the Colbertian tradition, as opposed to the Necker forgery properly called "mercantilism": accumulation of gold, silver and currencies in the coffers of the Geneva-Amsterdam banks through indebtedness of the French nation.

The starting point of Forbonnais's economics is Bodin's notion of the nation's strength represented by quantitative and qualitative increases in its population. Wealth is the production necessary to foster such increases:

Only the funds which have the factual advantage to produce a real income deserve the name of wealth.

Properties that do not yield a yearly production, such as precious furniture, fruits to be consumed and so forth are only the result of wealth based on income, and not wealth as we mean it; we should call them goods.

So the land that does not produce, the industry which is inactive, bringing no new value to circulation, are not actually wealth, but only goods that can be transformed into wealth if they are set in motion.

Motion is at its outmost in industry, consumption depends on the level of production and it is when a population is activated by production that it becomes a means of strength and wealth for the nation. Land is not wealth, it only becomes wealth if it is activated by other sorts of goods, those produced by industry which expands the level of their activity.

Forbonnais and Galiani were also against free trade, in both domestic and foreign trade, because they feared manipulation of the domestic markets by merchant interests and dumping of British products. How right they were was later proved by the fall of Turgot (Franklin ally but himself physiocratic-influenced), ar-

ranged by Swiss-British interests through a set up shortage of flour and grains as a result of his foolish free-trade policies. Galiani expresses the need for state intervention in an ironical way:

Wheat can be regarded as a production of the land, and from that angle it belongs to trade and economic legislation.

But then it can and has to be regarded at the same time as the matter of first necessity and need in the civilian order of societies, and from that standpoint it belongs to politics and state reason.

To politically master the domestic grain markets, Forbonnais and Galiani advocated a regional state-controlled stocking. Their foreign economic policy was based on protection against dumping and on exports of products incorporating the highest possible amount of labor so as to gain a maximized surplus reinforcing the economic potential of the nation. This twofold approach was conceived as the proper policies against the British system.

Those were the policies implemented by Louis XV, notably at the end of his life, through the Maupéou-Terray government and as part of their fight against the feudal "fronde" represented by the French Parliament. Another key point of those same policies was the debt moratorium drive of the French humanist administrators against the European network of Protestant bankers headed by Necker.

It was the suspicious death of Louis XV that brought physiocratic freetraders into power positions, and led to the degeneration of the Franco-British trade agreements of 1786. List considered that agreement as the trigger of the economic crisis out of which grew the French Revolution, and the point at which the Republican American-French alliance organized by Vergennes broke apart.

Ferrier was very aware of the 1786 disaster. Following his Colbertian predecessors, his standpoint was absolutely not that of "economics" per se but of economic science as the responsibility for the nation-state to improve the living standards and moral qualities of the citizenry through proper allocation of resources to increase production. He opposes his "administrative school," the school for the Leibnizian-Colbertian networks in the French administration, to the physiocratic-economist sect of Adam Smith, bluntly denouncing Smith as an agent of the British Empire. Smith, he says, tries to impose "government abstention" (known today as "free market economics") on the European nations, but only to set them up for a dirigist Bank of England takeover. Ferrier opposes the two basic conceptions of the world: Smith tries to degrade man to the state of passive matter, controlled by bestial impulses, while to "administer" is on the contrary to actively work out good dirigist policies and can only be promoted from

the standpoint of a mastered, active reason. This high economic morality of Ferrier is a much needed lesson for today's French and German industrialists and economic planners, who are unable to understand the coherence of the universe, and proceeded from the belief structure imposed upon them by Smith and his followers—liberalism. Let's then listen to what Ferrier has to say, from the correct standpoint of a "conservatism" which masterminded Napoleon's continental blockade against England, thus launching an unprecedented industrialization process on Continental Europe:

The essential principle of Smith's doctrine is the following: private interest left to its full liberty necessarily induces the owners of funds to prefer the most favorable use for the national industry, because it is always the most profitable for them.

This principle is the basis for the whole system of the economists (Smith's sect) ... but let's first consider how much it is connected to the principles advanced by the eighteenth century philosophers. According to them, private interest was supposed to drive man toward perfection ... It was the source of all virtues, no more moral or religious precepts were needed; allegedly, it seemed that we were going to be able to do without law and government. We have already tried this beautiful system for some time, and the facts of our history have condemned this way of thinking. (Ferrier refers to the free trade agreements with England).

Going back to Smith, Ferrier answers "no" to the two questions that the *Wealth of Nations* raises. First, even if "objectively" the use of capital most favorable to the whole of a nation's industry could be the use also most favorable to each particular capitalist, it is wrong to say or imagine that the *knowledge* of each individual capitalist would be sufficiently advanced to make him follow his own, true self-interest. Ferrier properly argues that somebody who does not act deliberately as a universal force is unable to recognize his own true self-interest as an initiator and creator. Second, argues Ferrier, it is a mistake to imagine that the use of capital which is the most favorable for the entire national industry is in fact the most favorable one for each individual capitalist. The properties of the whole cannot be equally spread in each of the particles: for example, if allowed to do it, French merchant capitalists would buy their muslins and other cloth in England, where they are cheaper, but the introduction of those goods in France would ruin the national wool and cotton manufacturing industries.

This trade, if made possible by free trade, would ruin all our industry ... the assets that our industrial firms represent and those which are used for their maintenance would either disintegrate as a

result of the sudden inertia hitting them, or transform themselves into cash and leave the country to be invested on the international market ... a merchant can never care at all about the interests of his country ... nothing justifies better the severe measures that the Administration is compelled to implement to prevent the merchants from sacrificing public interest to their own.

## Trudaine

But still more advanced than the "conservatives" Ferrier and Forbonnais was Trudaine the Elder, a forgotten but key figure in the humanist networks of the French eighteenth century Leibnizian Administration. Daniel Charles Trudaine, known as "the eighteenth century Colbert," had a clear sense of a Leibnizian Administration as a *unity of command* organizing research and development initiatives for the improvement of agriculture and the development of industry.

The most important aspect of Trudaine's contribution is that he understood—as a reflection in politics of Daniel Bernoulli's 1738 *Hydrodynamics*—the wave effect of the most advanced education as the unique means to organize the population for industrial progress. Trudaine understood that "industrialization" is not a technical problem, an aggregation of production units but a matter of organizing the population through the proper institutions embodying the industrial drive. Hence his dirigist creation of the *Ecole des Ponts et Chaussées* (1747-1750), the first centralized state institution conceived as a cradle for a republican civil service.

The opportunity to found that school was the concrete necessity to solve the problem of the backward French communications infrastructure. Following Leibniz's principle, Trudaine created the most advanced political form to confront the worst problem of backwardness. The *Ecole des Ponts et Chaussées*, the direct model for the later *Ecole Polytechnique*, was the first modern institution to select the best minds of the nation, with no other criteria than those minds' quality. A position as student was not gained through arbitrary nomination, family connections or payment, but through a competition based on the most advanced scientific program of the times, including geometry, trigonometry, mechanics, hydraulics (classes based on the work of Bernoulli), architecture, etc. The *Ecole* trained engineers specialized in infrastructure constructions, and the graduates were sent throughout the country to equip the hinterland under guidance of the administration.

The second key achievement of Trudaine's creation of the *intendants des manufactures*, an official body of industrial experts in charge of gathering all new inventions developed throughout the world, and

notably in England (which refused to sell its most advanced machines to France), selecting French regions appropriate to such industrial developments, mapping areas for creation of industrial complexes based on mining, manufactures and land development, and proposing appropriate measures to develop labor power and laws to protect its working and living standards.

Third, Trudaine organized mining activities under firm state control through his 1774 law establishing mining concessions on all French territory. This law breaks with the feudal conceptions by denying property rights over buried mineral deposits to the owners of the corresponding land surface, and vesting them instead in the nation represented by the public domain of the King. To organize the productive exploitation of minerals in that framework, Trudaine created a special body of mining experts, the *Corps des Mines*, which today is still the training ground for all the leaders of the French oil and nuclear industries—a stronghold of the French fight against Anglo-American genocidal policies.

The accomplishment of Trudaine and others, including Turgot, had produced by the 1770s a tremendous increase in the productivity of the French economy, at a time when the British economy was heading down under pressure of its own financial interests. Combined with the tight organization of humanist networks in the French Army and Navy (exemplified by Gribeauval and the Noailles family) and the sweeping influence of American republicanism, this force was a direct threat to the British-Swiss system. Hence Necker's efforts to paralyze the French economy through systematic indebtedness, and later Pitt's use of the sans-culotte and anarchist layers to disorganize the French nation and pervert the Revolution into a Rousseauvian, bloody, blind alley.

But by 1797, under guidance of Lazare Carnot, the humanist networks of the 1770s reemerged in a leading position with the industrial and land-development policies of first Interior Minister and "Director" François de Neufchâteau (1797-1799) and then under Interior Minister Claude Chaptal (1801-1804).

François de Neufchâteau restarted Colbertian policies, helping Agriculture Societies to redevelop their activities, organizing an Office of Mechanical Arts and

Manufacturing (to inform industrialists on technological innovations and lobby for their interests within the government administration.) and creating a Council on Mining—the Trudaine drive. He set up the first Paris industrial exhibition in 1798, exemplifying his new policies by the 1799 construction of the Paris Austerlitz Bridge with the most advanced available technologies of the time: curved arches of cast iron connected by strips of wrought iron.

Despite Neufchâteau's achievements, it was Chaptal who had the most advanced notion of industrial progress and realized this notion in political practice. Chaptal, chemist, industrialist and statesman, was a close associate of the American Revolution leaders and was twice (in 1792) invited for an official tour in the United States by Georges Washington. Although he had to refuse the invitation, because he was assigned by Carnot to organize the saltpetre and powder production for the Armies of the French revolution, there is no doubt that he was in correspondence with Hamilton through the Federalist circles. It is therefore practically proved that it is through the influence of Chaptal that Hamilton's *Report on Manufactures* first reached List. But even more important to understand List's own background was the type of working relation established between Carnot, Monge and Chaptal. It was a relation of the same higher quality, the same higher order as that between Leibniz and Colbert: Chaptal's primary commitment was to set in motion economic processes ruled by Carnot's and Monge's principle of the highest ratio of energy transformation.

Hence Chaptal's conception of wealth, not located in some fixed point, but in the advancement of labor power. In his 1805 *About French Industry*, he stresses that agriculture, industry and trade are not fixed entities, but "various elements of one, unique, process of production," the discovery and perfection of which embodies "the creative powers of man." He links the relative superiority of industry over agriculture in the production of a higher surplus value to the necessarily urban location of industry, an environment "where knowledge is shared and human resources continuously multiplied."

—To be continued

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