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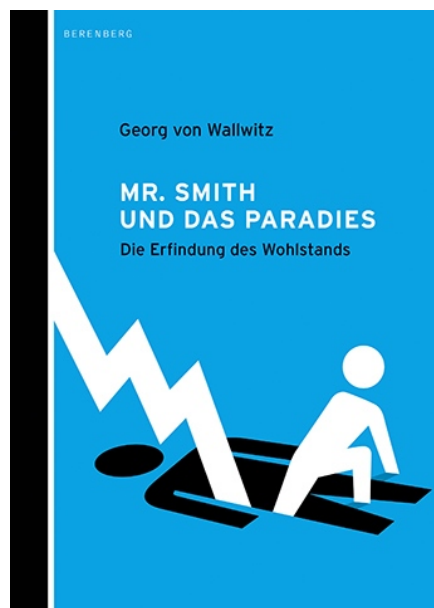
Georg von Wallwitz
Mr. Smith und das Paradies. Die Erfindung des Wohlstands

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Georg von Wallwitz
Mr. Smith and Paradise. The invention of wealth

Translated by David Brenner



Introduction

What is *wealth*? In the Age of Enlightenment, the answer was still relatively simple. The wealthy person was the one who had realized financial independence in the form of estates, gold, and promissory notes--and who preferably had more of it than the next person. Yet reaching that state had not proven possible for everyone. A general problem arose: every generation, having achieved what its predecessors understood as wealth, no longer felt satisfied. Instead, it wanted something more, less, or altogether different. Each era has its own notion of the good and contented life.

Economics as a modern science originally set out to explore the ways and means of achieving wealth. The story begins officially with Adam Smith's *Wealth of Nations*, a grand project that--despite its intellectual depth--included concrete proposals of how this goal might best be reached. However, since notions of wealth shifted with fashions and the times, economics had to keep reinventing itself if it wished to have an audience. Its focus would remain the same in name only.

It thus fared similarly to literature and philosophy, which were always exploring love, the good, the beautiful, and the divine, but were having to redefine them every fifty years. In point of fact, economics was subject to the same fashions and understandings of the world. It sang the same tune, often hitting the same note. For the most part, then, economists pursued the same goals as contemporary *gens de lettres*; only their claims differed. No less than literature, economics turned out to be a reflection of its time, as mutable as an aging mirror whose blind spots render it a painting.

If Clemenceau was correct that war is too serious a matter to be left to military men, does the same principle apply to economics? If the economy is far too important to be left to the economists, it seems reasonable to consider it from another vantage point, that of the decidedly "soft disciplines" and belles-lettres. Sadly, though, the representatives of those approaches often take themselves too seriously and cannot bring themselves to examine the importance of economics in their lives. Only on special occasions--such as the financial crisis of 2008 and 2009--they awaken from their economic slumber, decide what they're seeing is too complicated, and roll over and close their eyes again. At the time of that crisis, the Queen of England had occasion to visit the London School of Economics. There she found herself compelled to ask why economists were so dramatically wrong before the disaster occurred. Why had they failed to warn of the impending crisis in time? No one was asking them to predict the precise start of the "Great Recession," but why hadn't they had the imagination to anticipate a world

economic crisis of historic proportions? Why couldn't they envision a situation in which the most liquid markets (in London and New York) would suddenly dry up? All the Queen got as an answer were a set of excuses—"groupthink," "inaccurate data," "unrealistic assumptions," "fat tails," "reading too many Ayn Rand novels," etc.—all of them interesting but none of them helpful in making sense of things.

It would have been better had they described to her briefly and straightforwardly how economics has become what it represents today, where it has made the most progress, and how it nonetheless always reflects, expresses, or remains the child of its times. That would also imply that no one could ever justifiably complain about the times; righteous anger is a prerogative of posterity. And that's where we should start.

However, neither frost nor blistering heat can impede your addiction to profit.

Neither fire, nor flood, nor the sword,

Nothing at all, as long as there remains someone even richer than you . . .

Horace, Satires I, 1, 38 ff.

Voltaire's Paradise

The story of modern economics begins, like so many good ones, with a scandal and a fight. There were two parties at this very special founding moment: Voltaire and a certain Chevalier de Rohan. In truth, the nobleman let his minions do the fighting for him. For he could never have imagined coming to blows with a parvenu like Voltaire—someone who, only with the greatest of efforts, had managed to acquire a (rather marginal) position in society. If either of the two had had a clue at the time of what a (ridiculous, in form and content) affair they had set into motion, they might have (subject to their temperaments and abilities) been less willing to go at it in the first place.

By the start of his thirties, Voltaire was already a literary sensation. Yet he was actually the son of a good and thrifty bourgeois who had obtained a modicum of prestige and fortune as a mid-level official. To Voltaire, however, undeniably the most ambitious poet of his century, becoming part of such a

milieu meant next to nothing. He would have been horrified to end up like his (highly) devout brother, for whom it was the culmination of a career to take over one's father's post. Voltaire's attitude could not have been different: having discovered his talent quite early, he was willing to risk everything to succeed as a writer.

In those days, the best families of seventeenth-century France formed a small clique. Their lives were easy in every respect. Cardinal Richelieu had taken both power and responsibility away from the nobility, fashioning the state to be ruled entirely by the king. Aristocrats still maintained the privileges and financial resources for a carefree life. But since the state preferred them to be distanced from reality, a nobleman found it possible to spend his entire life on follies and scandals. In the eighteenth century, the art of (mostly malicious) gossip was cultivated as never before (or since). *Esprit* was more esteemed for its charm than its profundity. A *bonmot* was better if it was more than sharper, i.e., if it *wounded* someone. For all their refinement, then, the upper classes led lives of desperate dullness.

Meanwhile, something was rotten in the state of France. Trade had been stifled by the prevailing economic theories of the physiocrats and mercantilists. The tax authorities were corrupt, the imperial treasury emptied. The state had taken on significant debt: the royal court was run more on desires than resources, and the military was consistently less glorious--but no less costly. Nor was the Church immune to the general decline. Priests seldom seemed able to practice what they preached. Having lost their authority, they became an object of mockery at the court. The bishops produced by the Church were rarely of the caliber of a Richelieu.

In striving to become part of high society, Voltaire left behind everything that might betray his origins. To make people forget his bourgeois background, he changed his legal name from *Arouet* to *de Voltaire*. For an early poetic triumph, he had been awarded an annual pension by the king, and he was close to Madame de Prie, the influential mistress of the Prince of Condé. Voltaire's style was brilliant; his writing always *au courant*. And he never bored anyone, either his hosts or himself. Quick-witted individuals were valued in eighteenth-century France, inasmuch as the elites did not trouble themselves with politics (irksome to the king), economics (too indelicate a matter), or war (a mere game of adventure). Their only alternatives were suffering from ennui at the royal court, turning to a religion (that was also in a deplorable state), or concentrating on poetry and fiction. Literature, in fact, was the most exciting alternative, for knowing French

gave one access to the entirety of European culture. Whoever was anyone spoke and wrote in French (though the language of science remained Latin). French fashions were the *dernier cri*, from St. Petersburg to Lisbon. On the stages of the continent, the plays of Racine and Corneille were the thing; Shakespeare no longer measured up.

In 1726 Voltaire's career took a sudden turn downwards. The story has been told often and in any number of versions. The trigger was a pointed remark to the aforementioned Chevalier de Rohan-Chabot--a self-important, fatuous descendant of one of France's most important families, about as apropos in a history of the Enlightenment as Pontius Pilate would be in professing one's faith. Dripping with condescension, the chevalier on the occasion in question asked the ambitious poet whether his real name was *Arouet* or *Voltaire*. The response was less than careful: "Whatever my name may be, I know how to defend its honor." Now, humor is seldom independent of one's social status, and Voltaire's remark was over-the-top in such that honor-obsessed era. Pride in one's genealogy was the *raison d'etre* for families like Rohan's. Hence, the chevalier turned resentful and planned his revenge. Yet nothing original occurred to him: at their next encounter, after a performance at the Comédie-Française, in the dressing room of the famous actress Adrienne Lecouvreur, he simply repeated his previous question. "I already answered the Chevalier" was Voltaire's quick comeback. Rohan was all set to beat up the writer, but, displaying presence of mind, Lecouvreur pretended to fall into a swoon, and the matter was postponed again.

Rohan then took it to the next stage, albeit without *esprit*. When a few days later Voltaire was invited to dinner at the Duke of Sully, a friend and admirer, he was called outside to personally receive the message of a courier. It was in the middle of the meal, actually; even then people felt they were permanently on call. Yet there was no messenger in front of the house, only the chevalier's lackeys. They carried out what their master hadn't dared to do himself and gave Voltaire a good thrashing. Rohan looked on from his carriage, ordering them about. He supposedly told them to avoid hitting Voltaire's head, since *it* might still provide some amusement. That prompted the onlookers (who had in the meantime been attracted by the spectacle) to exclaim "such a benevolent lord!" A wounded and humiliated Voltaire returned to the table of his host, who wanted to nothing to do with the incident. Sully coolly advised him that, if some little scribbler wanted to take on one of France's most powerful, he would have to suffer the consequences. Voltaire could not expect any sympathy from the upper classes.

To his dismay, Voltaire discovered that (most of) Parisian society found his beating by Rohan not just normal but perfectly understandable. No one offered to side with the writer. Having to help himself, he took fencing lessons, planning to challenge his adversary to a duel. But that wasn't so apt, either: both duels and challenging people to them were prohibited. That's how Voltaire ended up again in the Bastille, one of France's less unpleasant prisons. It was a place he was already familiar with. Ten years earlier, he had written his celebrated *Oedipus* while being held there for satirizing the regent Philippe of Orléans. On this occasion, however, Voltaire's offense was less serious. Since he was already a famous poet, he was released after only a few weeks, on the condition that he leave the country. Helpless and disillusioned with the French state and society, Voltaire embarked for England. This journey, in 1726, would represent a turning point for both economics and the French Enlightenment. It would also become one of the most important nails in the coffin of the French monarchy--something neither Voltaire nor Rohan could have imagined at the time.

Upon arriving in England, Voltaire unexpectedly discovered that he was penniless. The London banker whom he was relying on had gone bankrupt, rendering his notes of exchange worthless. Voltaire was ill, lonely, and desperate: "I was in a city where I knew no one . . . In such a wretched state I did not even have the courage to turn to our ambassador. Never had I found myself so miserable, but it is my destiny to suffer so much misfortune." By some no longer comprehensible twist of fate, he was taken in at the home of a certain Everard Fawkener, one of the more remarkable businessmen of his time. He would later become ambassador in Constantinople, then head of the British Post Office, and finally, at the age of 53, a stepson of General Churchill, nephew of the Duke of Marlborough. Thanks to Fawkener, the disgraced Voltaire was able to pick himself up, dust himself off, and find his sense of humor again. Most of all, he learned something that would have been impossible in France: to respect, even admire, a businessman.

To that point, he had regarded the merchant class with arrogance, as was the practice of the French aristocracy. To them, businessmen were needed because they were the ones who were ultimately responsible for commerce, producing the goods that made life more pleasant in the first place. They were as indispensable as farmers, artisans, and civil officials, yet

they weren't people you could take seriously as individuals. In Voltaire's view, the lives of merchants were uninspiring, lacking in sophistication, luxury, and *esprit*. They spent their days in counting houses, not in castles or comparable sites of performance. No poet of stature, and certainly not one with Voltaire's ambitions, would voluntarily have sought out their company. It was only the most extreme necessity that forced Voltaire to make the acquaintance of Fawkener.

Long visits abroad, when not prepared well, can make for significant surprises. Voltaire too found much that was astonishing at first, even after Fawkener helped him regain his balance. He got to know a country that was far ahead of his homeland in all social and political respects – something he had not thought at all possible. He summarized his observations in a book that he referred to as a collection of *Philosophical Letters*. The addressees of these letters were those back home firmly convinced that France and French culture were the crown of civilization, objects of envy that the rest of the world wanted to copy in most (if not all) respects. In his *Philosophical Letters*, Voltaire found the opposite to be the case: France was backward, ossified, and--intellectually as well as financially—impoverished. The future belonged to England: it had become dynamic and powerful while the French weren't paying attention. The British royal household might not approach that of Versailles, but so what? What mattered were the political and economic foundations on which societies are built. In France those were decaying; in England, they were nearly ideal. The purpose of Voltaire's book was to describe all this vividly for the French.

The power of the church in England, he maintained in the *Letters*, had faded after many years of religious wars carried out with impunity. Religious tolerance now held sway there. It was a source of wonder and delight when compared with the power of the Catholic Church in France: "England is properly the country of sectarists. *Multae sunt mansiones in domo patris mei* (in my Father's house are many mansions). An Englishman, as one to whom liberty is natural, may go to heaven his own way." It was a state that tried to regulate its affairs without the intervention of clergy: "If one religion only were allowed in England, the Government would very possibly become arbitrary; if there were but two, the people would cut one another's throats; but as there are such a multitude, they all live happy and in peace." English society was open and pluralistic. Each individual could pursue happiness in his own way. That, in Voltaire's judgment, was the basis of a civilized society, something that in France (at last to outsiders) was painfully lacking.

Voltaire didn't need to come to England to lose his faith. The Church had always been the favorite target of his ridicule. What he learned on the

other side of the channel was the beneficial role played by traders, businessmen, and entrepreneurs. "Take a view of the Royal Exchange in London, a place more venerable than many courts of justice, where the representatives of all nations meet for the benefit of mankind. There the Jew, the Mahometan, and the Christian transact together, as though they all professed the same religion, and give the name of infidel to none but bankrupts. There the Presbyterian confides in the Anabaptist, and the Churchman depends on the Quaker's word. At the breaking up of this pacific and free assembly, some withdraw to the synagogue, and others to take a glass. This man goes and is baptized in a great tub, in the name of the Father, Son, and Holy Ghost; that man has his son's foreskin cut off, whilst a set of Hebrew words (quite unintelligible to him) are mumbled over his child. Others retire to their churches, and there wait for the inspiration of heaven with their hats on, and all are satisfied." At the stock exchange, people were pacified and kept busy who normally--even if only as a matter of custom--would have been at each other's throats. Commerce socialized them more than religion ever had, no matter how much the latter had preached peace and charity. In the marketplace, no one was trying to achieve brotherhood, and yet that's what came of it.

In England businessmen were held in the highest esteem. On account of them, the country had become well-organized, wealthy, and free. "As trade enriched the citizens in England, so it contributed to their freedom, and this freedom on the other side extended their commerce, whence arose the grandeur of the State. Trade raised by insensible degrees the naval power, which gives the English a superiority over the seas . . . Such a circumstance as this raises a just pride in an English merchant, and makes him presume (not without some reason) to compare himself to a Roman citizen; and, indeed, a peer's brother does not think traffic beneath him. When the Lord Townshend was Minister of State, a brother of his was content to be a City merchant; and at the time that the Earl of Oxford governed Great Britain, his younger brother was no more than a factor in Aleppo, where he chose to live, and where he died." The British had recognized that the pursuit of individual wealth brought their country further than the nobleman's lash or the Church's promises of salvation. "In France," wrote Voltaire, "the title of marquis is given gratis to anyone who will accept of it . . . and [he] may look down upon a trader with sovereign contempt; whilst the trader on the other side, by thus often hearing his profession treated so disdainfully, is fool enough to blush at it. However, I need not say which is most useful to a nation; a lord, powdered in the tip of the mode, who knows exactly at what o'clock the king rises and goes to bed, and who gives himself airs of

grandeur and state, at the same time that he is acting the slave in the ante-chamber of a prime minister; or a merchant, who enriches his country, despatches orders from his counting-house to Surat and Grand Cairo, and contributes to the felicity of the world.”

At this time in England, the Industrial Revolution was in the air. Central workshops were being formed that were supplied from the local area with small-scale primary products, still mostly crafted in household work spaces. Out of that, factories were developing that were manufacturing more products than ever, cheaper than ever. Voltaire was very prescient in acknowledging that this was what the future looked like, and that states would be well-advised to get used to it. The French would also have to take notice if they didn't want to be left in the dust by the British.

In Voltaires englischer Weltsicht musste die Politik ökonomisch werden. Die Ökonomie hörte damit auf, eine Randerscheinung und Lehre für brave Haus- und Landwirte zu sein. Sie wurde in den *Philosophischen Briefen* zum ordnenden Element der Gesellschaft, welche sich den Wohlstand zum Ziel setzte und damit mehr erreichte als alle Gebete Frankreichs um das Paradies. Voltaire verheiratete die Ökonomie mit der Politik und schuf damit den Ausgangspunkt jener erstaunlichen Entwicklung, welche die aufgeklärte Welt ab der Mitte des 18. Jahrhunderts nahm. Indem die Ökonomie politisch wurde, war das Streben der Menschen nicht mehr auf das Jenseits, auf ein versprochenes Paradies ausgerichtet, sondern auf den Wohlstand im Diesseits. Das Paradies war nichts, worauf sich zu warten lohnte, wenn sich auf Erden ein guter, realer und vor allem sicherer Ersatz finden ließ.@@@

According to Voltaire's British worldview, politics would have to become economics. The economy thus ceased to be a marginal phenomenon, to be studied by good, old-fashioned farmers or landlords. In the *Philosophical Letters*, economics became *the* ordering element of society. Making wealth the aim of society would thus achieve more than all of France's prayers to enter heaven. By marrying economics with politics, Voltaire provided the point of departure for that incredible development of the enlightened world, starting the mid-eighteenth century. Because economics became politics, humanity now strove for wealth in this world, instead of directing its efforts toward the paradise promised in the afterlife. For heaven was not something worth waiting for, if a substitute could be found on earth that was good, real, and (above all) secure.

The Industrial Revolution was as much a political project as an economic one. It could only occur against the interests of the ruling elites, for it meant transferring power and wealth from the nobility to the

bourgeoisie. Without institutions that enforced property rights, wealth couldn't develop as in England, though such institutions limited the power of the king. Nor could wealth increase without broader access to markets, thus fueling competition and the industrious of the middle class. However, that also meant freedom, equality, and the restriction of privileges, which not even the old nobility liked but which it nonetheless accepted. In England, state institutions and the economy were thus synchronized and became enormously successful. This was the future, as Voltaire explained in his letters, and if the French didn't want to go to seed, they should start doing things more like the English!

Economics, prior to Voltaire, had already had a venerable history as a discipline. Aristotle established it as the form of domestic economics, yet after that very promising start, it languished in disregard for nearly two millennia. In the Baroque period, one or another economic school was to develop, but nothing of importance emerged. Not until it was connected to politics--as happened quite casually and without great theoretical fanfare in the *Philosophical Letters*--did economics find its grounding. From that point, it expanded into that which it is today. As a result, the Enlightenment acquired its very own discipline. Often enough, economics seemed too difficult. Yet at the same time, it became an indispensable vehicle for the dissemination of enlightened thought. The wealth of a nation had now, to a significant extent, become a question about the right form of government. Political economy (as it soon would be labelled) was no longer, like its predecessor disciplines, merely a lens with which to observe society but a tool with which society might change itself. All that commenced with Voltaire. In that sense, his visit to England constituted "a turning point in the history of civilization," as Lytton Strachey proclaimed so reverentially.

Voltaire stayed in England for nearly three years. After returning to France, he was fiercely determined never again--socially *or* financially--to get into a situation like that after the thrashing by Rohan's lackeys. Socially speaking, he never really succeeded. For the rest of his life, he longed for Paris and its futile world of privilege. As an old man, he even returned to the lap of the hated Catholic Church, whatever he or the officiating priest might have thought of his conversion. After his sojourn in England, Voltaire mostly moved around at the limits of the French royal sphere of influence. He thus spent time in Belgium, in Lothringen, and on Lake Geneva--always within earshot of Paris, the only place where he'd ever really wanted to be heard.

Financially speaking, in contrast, he quickly became very independent. In addition to his literary ambition, his newfound skill in handling money was on a par with his linguistic virtuosity, unsettling some speculators at the London Stock Exchange. In fact, a number of his business partners there were glad to see him leave England since he never seemed to have internalized the idea of the honest businessman. Voltaire also had leave Prussia in a hurry because of an unmannerly fraud perpetrated with Saxon government bonds, showing just how shameless he could be when it came to getting a financial advantage.

In any event, the principle of maximizing profit was firmly anchored in Voltaire's brain. He was stingy toward everyone outside his immediate family, and devious and greedy as well. When it came to money, he was indecent—from the bottom of his heart. That's how he became rich and able to afford every luxury available at the time. He amassed money because amassing and displaying it was endless fun for him. Plus, the recognition that accompanied it was what mattered most to him. A capitalist in the original sense of the term, he accumulated capital for its own sake; he sought to become wealthier by means of investments and interest payments, blissfully unencumbered by whether it made any sense to do so.

To formulate Voltaire differently: his standpoint on wealth was not so far from our current one. Put in today's parlance, he would likely maintain that the wealth of a nation can be measured in "stock keeping units" ("SKUs," or inventory units), the way that retailers measure the types of goods they have in stock. For instance, if a seller has five blue and three green skirts in stock, he is deemed to have two SKUs. A country can be deemed prosperous when many SKUs are offered in its stores. That doesn't only imply that it is somehow satisfying or even auspicious for each individual. Rather, it also implies that there is apparently a lot of wealth out there in order to attract such a supply in the first place. From there, one can make some important comparisons. Thus, the Yanomami, a tribe situated between the Orinico and the Amazon rivers and largely untouched by European influences, are discussed by Eric Beinhocker (of the McKinsey Global Institute) in his 2006 book, *The Origin of Wealth*. Beinhocker estimates that the variety of goods available to them is not very significant. In fact, their tribe does not have access to more than a few hundred, possibly a thousand, SKUs. When we compare the Yanomami to the "tribe" of New Yorkers, who can choose between tens of billions of SKUs, a diversity of goods on the order of 10^2 is offset by a selection to the 10^{10} power. Now *that* is wealth! It's something that Voltaire would have celebrated, and he would have been jubilant in the Big Apple. For wealth today is defined by the

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person who has the most "stuff." Or that at least is what it looks like to every child on the playground. Hence, even if Voltaire and today's economists would have expressed it in more complicated terms, they still would have found themselves in agreement with our youngest citizens.

With such a notion of wealth, Voltaire was glad to be openly opposed to the moral guardians of his time, of which there were two large groups. On the one side were the Christian traditionalists, who generally looked down on worldly riches, expecting their true reward in the afterlife. On the other were the bourgeois moralists of the Calvinist persuasion, in places such as Geneva or the Netherlands, who rejected luxury but nonetheless had a talent for making money. Their ideal was the Roman Republic, the fall of which they felt was caused by having grown soft and by its citizens having distanced themselves from the strict customs of its founding fathers. By contrast, Voltaire held, in his poem "Le Mondain" ("The Socialite"):

This profane age is well-made for my morals. / I love luxury, and even softness, / All the pleasures and arts of every kind / Cleanliness, taste, ornament: / Every honest man has these feelings.

He saw abundance as the mother of the arts and thought little of the state of nature that his contemporaries were repeatedly romanticizing. He instead assumed that humanity, in its primordial state, was chiefly characterized by bad manners and poor personal hygiene: "They lacked commerce and wealth. How is that a virtue? It was pure ignorance." Of course, his poem was soon banned as well.

In Voltaire's understanding of the world, the wealth of an entire nation was enlarged by merchants, investors, and speculators--or whatever one wishes to call those who deal in (reasonably liquid) capital stock. It was the result of people pursuing their economic interest in the framework of laws--building ships, launching factories, and organizing trade. The luxury of the rich would create income for craftsmen and servants. What advanced society in the end was the freedom of individuals to engage in business, unencumbered by the privileges of the aristocracy and the Church. The freedom to become wealthy would lead increase general prosperity and ultimately enhance culture, the arts, and personal hygiene. Material prosperity and individual freedom were thus two sides of the same coin. Each influenced the other, forming a joint basis for cultural progress, the aim of which was "the sweetness" (*la douceur*) of civilization.

Since he was not a particularly systematic thinker, Voltaire never composed his own "political economy." Yet following his stay in England, his political thinking always contained an economic motive. And such an image of society and humanity was embedded inextinguishably in the ideas of the

Enlightenment. More than anyone else, Voltaire helped replace paradise with earthly wealth in people's minds. Because of him, economics became the organizing principle of society and the means to permit the "fleshpots," that new target of longing, to become real. By linking economics and politics, Voltaire forced open the gates to the Age of the Bourgeoisie. Once the Enlightenment had given economics a central position, wealth could develop and become a symbol of European civilization.