

## George Berkeley as an Economic Querist

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Many of the greatest insights of early economic thought have had their roots in philosophy, moral thought and theology. George Berkeley, as Bishop of Cloyne and eminent philosopher, can be fitted into such a bracket. Daniel Gallen discusses Berkeley's contribution to economic thought and points to how his social concerns for 18th century Ireland continually influenced his ideas.

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### Section I

In the early eighteenth century, George Berkeley, Bishop of Cloyne, and ex-Fellow of Trinity College, who is best known as the philosopher of immaterialism, set himself the task of devising a solution to the social and economic problems of the Ireland of his time. The country was faced not only with primitive monetary structures but also with chronic unemployment and persistent strains on the balance of payments, in conditions of intense rivalry with England. His desire to 'feed the hungry and clothe the naked' of his land takes literary form in *The Querist*<sup>1</sup>, presented in the unusual, though by no means unique form<sup>2</sup> of a series of haphazardly arranged rhetorical questions, some to arouse the spirit of his fellow countrymen, and others to inform them as to the definite methods of alleviating Ireland's plight. *The Querist*, and his two other principal works of political economy, can only be fully appreciated if perceived as a synthesis of moral, philosophical and economic doctrines in the form of practical policies aimed at the improvement of depressed conditions in these islands. These two other principle works are *An Essay towards preventing the ruin of Great Britain* (1721), addressed against the spirit of avarice and excess in Great Britain circa the South Sea Bubble collapse, and *A Word to the Wise* (1749), calling on the Catholic clergy to promote the material welfare of their flocks by dissuading their parishioners from idleness and beggary.

The purpose of this essay is to classify and to put into context Berkeley's economic thought. I will show that to a significant extent the three main economic issues which Berkeley confronts in his writings, namely trade and

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<sup>1</sup>The first anonymous edition was published in three instalments in 1735, 1736 and 1737, with a total of 895 queries. The second edition, bearing Berkeley's name, published in 1750, contained a single consecutive series of 595 queries (omitting 345 and adding 45 new ones). The references to queries in the text are to the latter edition (Q.), those appearing only in the first edition annotated (Om.Q.).

<sup>2</sup>Petty's *Quantulumcunque* (1682), Newton's *Representation* (1712) and Prior's *Observation of Coin in General* (1729) also contained this form.

employment (section II) and currency (section III), were also exhibited in the English economic thought of the previous half-century and in the contemporary writings in Ireland. Finally, the development of Berkeley's ideas in the classical and Keynesian analysis will be traced (section IV).

## Section II

To help understand the evolution of his economic philosophy, however, it is important to refer briefly to the prevailing economic circumstances of the time. Swift, in *A Short View of Ireland* (1728), reckoned that half of Ireland's income was spent in England with no return. This 'devouring Drain', Berkeley's close friend Thomas Prior wrote at the start of *Observations of coin in general* (1729) 'will ever keep us poor and miserable.'<sup>3</sup> He believes that 'there is no way left to save us, but by obliging them (absentees) to live at home, or making them pay for living abroad.'<sup>4</sup> The more spirited Irish emigrated in large numbers, the spiritless remaining to sink into abject poverty. The Cattle (1666) and Woollen (1699) Acts, the rigorous enforcement of the Navigation Laws and the Bank Controversy of 1720-21 led to the conviction that commercial jealousy in England would endanger any success in Ireland. This feeling first received overt political expression in Molyneux's *Case of Ireland Stated* (1698) which expressed the belief in the natural right of Irishmen to conduct their own affairs. There had also been no mint in Ireland from the time of Edward VI, so the country suffered from a shortage of reliable currency, particularly currency of smaller denominations. A so-called 'perverse' supply curve of labour, whereby an increase in wages would be followed by a fall in the quantity of labour available, as workers became more idle in proportion to the advance in wages and relative cheapness of provisions, was prevalent too: as Melon (1735) wrote *L'Ouvrier ne vend plus l'industrie qui lui procuroit du pain et du vin*.<sup>5</sup> There was also a lengthy down-swing in agriculture from 1726, leading to famine conditions by the end of the decade and growing difficulties in international trade. To Berkeley it seemed that only by a comprehensive government programme combining labour legislation with fiscal and public works policies, could a high level of employment and external solvency be scoured for Ireland.

The difference between Berkeley and Protestant nationalists of the time, like Swift, was that Berkeley thought it impolitic to "annoy" England. He was more of a bishop, and less of a politician and while pleading for the support of Irish industries, he deprecates the notion that English and Irish interests are opposed and in more than twenty queries, he exhorts the Irish explicitly not to hanker after a woollen trade, but to put themselves on some other method that will not seem to

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<sup>3</sup>Prior 1729, p.72.

<sup>4</sup>Prior 1729, p.5

<sup>5</sup>Melon 1735, p.9

affect English interests. They could instead raise flax and develop the linen trade (Q.79). Berkeley does provide some arguments about the benefits of open trade: if only the English would permit the Irish to exert themselves in exporting cattle, or wool, then England would herself gain, for it was 'the true interest of both nations, to become one people,' (Q.90). In the absence of this co-operation, however, Berkeley tells his countrymen that the remedy for the evils under which they suffer lies, in the main, in their own hands.

Though England had hampered Ireland's commerce, and destroyed their woollen trade, many nations, whose external trade was insignificant, for example, Switzerland (QQ. 420-22) were flourishing.<sup>1</sup> Berkeley begs the Irish not to depend on foreign commerce but to labour for themselves, both for the economic life of the country and for the individual welfare of the people. He rejected the chief bastion of mercantilist thinking, that national wealth was dependent on foreign trade, an argument expounded at length in Mun's *England's Treasure by Forraign Trade* (1664). Mun's maxim failed to hold for Berkeley. He posits 'Whether there may not be found a people who so contrive to be impoverished by their trade. And whether we are not that people,' (Q.325). Berkeley wanted a concentration in the short term, on what Petty called 'local' or 'domestick' wealth.<sup>6</sup> His suggestions for home industries include cheese (Q.539), fisheries (Q.540), hats and pottery (Q.533), tiles (Q.534), building materials (Q.536), carpets (Q.69) and mead and cider (Q.538). Berkeley conceived of a society 'depending on no foreign imports either for food or raiment' (Q.117) and queries whether Ireland, far superior to other nations with respect to natural advantages 'be not as well qualified for such a state as any nation under the sun,' (Q.124). He was not in favour of a closed economy, or what he called a 'wall of brass' (Q.134) around Ireland, as a desirable national institution, but considered that if such a wall existed, new local values would be discovered and internal trade promoted. Then local markets would spring up and replace the foreign ones. English jealousy would have served a purpose, if it causes Irishmen to learn by experience the true nature of wealth.

While the absentees were the most visible embodiment of the lack of social responsibility and concern of the Irish upper classes, Berkeley clearly noted that one could live in Ireland and still be an absentee (Q.104). Previously in his *Essay* of 1721, Berkeley wrote that 'we had the experience of many ages to convince us that a corrupt luxurious people must of themselves fall into slavery.' These reflections he thought, would have forced any people in their senses upon frugal measures.<sup>7</sup> In this, at least, he was in agreement with the mercantilists for whom frugality was a virtue as well. Arthur Dobbs, in *An Essay on the trade and*

<sup>6</sup>As he enunciated in *A Treatise in Taxes and Contributions* (1662), *The Political Anatomy of Ireland* (1691) and *Political Arithmetic* (1690).

<sup>7</sup>*Essay*, Works, VI, p.79

improvement of Ireland (1729-31), also traced the hardships of trade, such as bad debts and costly lawsuits, to the extravagance of the Irish: 'How can trade flourish or the nation grow rich when the number of the extravagant exceeds the frugal.'<sup>8</sup> They both believed that a decrease in imports, resulting from a diminution of luxury expenditure, would relieve all strain on national reserves of gold and render the compulsory reduction of exports more tolerable. Berkeley believed that the industry of the lower class depends on the upper (Q.395), and if the gentry distinguished themselves by fine houses and furniture rather than fine clothes, the result would be altogether salutary, providing equally for the 'magnificence of the rich and the necessities of the poor,' (Q.404). There was also the hope, expressed in Q.408, that 'in proportion as Ireland was improved and beautified by fine seats, the number of absentees would...decrease.'

Berkeley did not propose to leave the balance of payments to take its own course, but proposed the combining of sumptuary laws against luxuries, as he had indicated earlier in the Essay, with import duties protective of Ireland's solvency. Earlier, Barbon in *Discourse on Trade* (1690) had considered the question of sumptuary laws and concluded against their use, arguing that they would reduce a country's expenditure abroad, and foreign demand for its exports and thus lead to a drop in the level of activity in export industries. In Berkeley's case, the argument for sumptuary laws (QQ. 103, 146, 222) rested on the primary consideration of the diversion of the flow of monetary demand. Barbon, meanwhile, claimed import prohibitions would not necessarily stimulate production domestically; the demand for comparable home-produced alternatives may be relatively inelastic and satiable. If taxes were imposed instead, the well-to-do would spend on imported commodities those funds that might otherwise have remained idle. Those spent funds would in turn facilitate foreigners' demand for the country's exports and thus increase the level of its industrial activity. Berkeley, on the other hand, was concerned more directly with the importance of a consistently high level of internal activity and thus felt the answer to England's commercial policy of banning Irish woollen exports was to change the structure of industrial activity to meet new economic demands. This was previously suggested by Petty, who advocated 'the introduction of new trades into England to supply that of cloth which we have almost lost.'<sup>9</sup> Most mercantilist writers of the period reasonably supported the proposition that both increased home consumption, and the export of commodities were favoured as means of relieving the burden of unemployment.

Berkeley, like Petty, Steuart and others, held it to be the inescapable duty of the state to make sure there is employment for all those ready to take it, an objective

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<sup>8</sup> cited in Rashid 1988, p.148

<sup>9</sup> Petty 1669, ed. Hull 1899, p.30, cited in Vickers 1960, p.158

not adequately provided for by any self-adjusting mechanism. He felt, however, that a large section of the population lacked the appetite for consumption that would stir them to produce for the market. There was, in his view, vast involuntary unemployment. Earlier, the English mercantilists complained about people's indolence; to Malynes, idleness was 'the root of all evil'; Mun deplored that 'through lewd idleness, great multitudes of our people cheat, roar, rob, hang, beg, cant, pine and perish.' Berkeley was incensed by the paradox of poverty and unemployed resources side by side: 'Whether we are not in fact the only people who may be said to starve in the midst of plenty,' (Q.446). This opinion was also expressed by Prior: 'There is no country in Europe which produces and exports so great a quantity of beef, butter, tallow hydes and wool as Ireland does, and yet common people are very poorly clothed.'<sup>10</sup> In *The Irish Patriot* (1738) Berkeley again accuses the Irish of being lazy and too resigned to their fate (QQ.14,23,28,34,36). Later in *A Word to the Wise*, Berkeley still asserts 'if any man will not work, neither should he eat.'<sup>11</sup> Berkeley was thus prepared to advocate compulsory labour, which he bluntly described as 'temporary servitude' (Q.382). It seems almost certain, though, that these "slavish" queries (also QQ.380-89) held their origin in expediency rather than in conviction. Even the great originator of economic liberalism, Frances Hutcheson, laid it down at this period that 'sloth should be punished by temporary servitude at least.'<sup>12</sup> Forced labour was not an important part of Berkeley's plan. In his view, Ireland was poor because too little work was done. He believed that situation could be rectified only if the majority of the people shared in the wealth (Q.20).

Since his idea was that a happy people was a busy people, he proposed, in both the *Essay* and *The Querist*, large schemes of public expenditure to make up for the cutting of private, luxury expenditure abroad. He mentions education (QQ.183,193,195), the erection of learned academies, public buildings (adorned by art and sculpture) and bridges (QQ.401,402,408,409) and, exactly like Petty before him, 'triumphal arches, columns, statues, inscriptions, and the like monuments of public services.'<sup>13</sup> Berkeley did not give any support to holding down wages, a policy many of his mercantilist contemporaries advocated for coping with laziness or the 'perverse' labour supply curve. Their antidote to the misery all around them, was to encourage domestic consumption where it was possible to do so without elevating the position of the labourer in the class structure of society, and to decrease the labour costs of production in order to capture foreign markets which would provide an outlet for goods sufficient to

<sup>10</sup>Prior, p.32

<sup>11</sup>quote from <sup>2</sup>Thess.iii,10. In *A Word to the Wise*, Works, IV, p.546

<sup>12</sup>Hutcheson, *A System of Moral Philosophy*, vol I, p.318, cited in Hutcheson, 1953b

<sup>13</sup>*Essay*, Works, VI, p.79

induce the high level of employment. A few writers, Defoe, Cary and Culpepper, believed in the stimulus to trade from higher wages, but encouraged them for their potential to improve productivity and competition rather than in sharing Berkeley's socially motivated interest in helping the poor.

Berkeley promoted new industries and improved housing conditions for the purpose of developing new wants by making available, incentive goods for the masses to work for, while at the same time raising the effective demand to pay for them. The translation of the mutual needs of the population into effective demand in economic terms leads us to consider Berkeley's theory of money.

### Section III

Berkeley's main attention and emphasis were not on his labour and fiscal policies, important though they were to his programme. His central proposals were those for a national bank and a paper currency. In his 'analysis of the nature of money itself, and of the function of gold in relation to it, Berkeley takes high rank as one of the most modern and advanced monetary thinkers.'<sup>14</sup> The principal aim of monetary policy must be to maintain a high level of economic activity and prevent the paradox of Q.446. Berkeley, like Aristotle before him, emphasised the social function of money 'enabling men mutually to participate [in] the fruits of each other's labour,' (Q.5). Money was not merely a passive medium of exchange, but an active stimulus to trade. An early argument by William Potter in *The Key of Wealth* (1650) ran to the effect that the wealth of the country consisted of all goods produced, money being valuable only in bringing about increased production. The more money men have, Potter reasoned, the more money they spend and the faster they spend it. This increases the sales of merchants and manufacturers. Here, money is not valuable for its own sake, but as a stimulus to consumption. Potter even indicated a rough sort of multiplier: increase money, and 'both trading and riches will increase amongst men, much more than proportionable to such increase of money.'<sup>15</sup> Following this, a number of writers prior to the publication of Berkeley's *Querist* based their analysis on what Marian Bowley has called the 'necessary stock of money approach,'<sup>16</sup> expressed concisely by Prior at the start of the *Observations*: 'Money, being the Measure of all Commerce, A certain Quantity thereof is necessary, for the carrying on the Trade of each Country, in Proportion to the Business thereof.'<sup>17</sup> Davenant, Law and Bindon all emphasised the unique potential for economic stimulus afforded by a

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<sup>14</sup>Johnston 1938a

<sup>15</sup>cited in Pauling, p.63

<sup>16</sup>Marian Bowley, *Studies in the History of Economic Theory Before 1870*, 1973, pp.19-27

<sup>17</sup>Prior, p.18

growing circulation.<sup>18</sup> This life-giving quality of money was often stated as analogous to the nature of the newly discovered circulatory system of the body, its flow in the body politic energising every part of the economy (Q.484).

No one opposed more repeatedly or fundamentally than Berkeley, the Midas fixation of mercantilist writers that the precious metals are, in some sense, the ultimate form of wealth. Gone by Berkeley's time was the consideration that one nation benefited only at another's expense. He rejected the sterile preoccupation of Petty and Locke with acquiring these metals. For him, there could be 'no greater mistake in politics than to measure the wealth of the nation by its gold and silver,' (Q.465). The English were always looking to obtain gold and silver as the "sinews of war". The Irish, on the other hand, did not worry about their "power", and could thus focus only on the economic function of the precious metals. In spite of strong prejudices attaching to gold and silver (Q.439), money was essentially a 'ticket' or 'counter' (Q.23), conveying and recording generalised command over the services of others in proportion to the money incomes of individuals and the prices of such services. Berkeley's emphasis is thus on the credit creating role of the circulating medium, the 'ticket entitling to power,' (Q.441). Since the coin and paper money are seen as tokens of the power over goods and services represented by money (Q.475), the actual material of which the ticket was constituted was not of particular consequence. Yet for many purposes, credit is more convenient in the shape of paper which was 'more easily transferred, preserved and reserved when lost,' (Q.226).

Berkeley's advocacy of a paper currency to supplement the circulation of gold and silver was unique at this time. Prior viewed it with dismay, believing it would result in the loss of the remaining gold and silver. In considering the issue of paper money, though, Berkeley was not content to allow it to be determined simply by the operation of the quantity theorem as earlier propounded by Locke. He assumed that it must be backed by the credit of land, thereby seeking to provide this paper money with an intrinsic value comparable to the intrinsic value of gold or silver money. Thus, Berkeley's analysis is not as innovative as it seems: in Schumpeter's view, Berkeley was a concealed metallist. Unlike Locke, he sees no important distinction between money and credit. Both money and credit were to him a means of acquiring gold and silver offered in exchange, 'credit for so much power,' (Q.426). But paper money was, for Berkeley, the highest stage in the development of exchange economies, and by creating it, the state transformed the needs and wants of individuals into effective demand

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<sup>18</sup>Davenant, *Discourses on the public revenues, and on the trade with England* (1698), *Law, Money and Trade Considered* (1705) and Bindon, *A scheme for supplying industrious men with money to carry out their trades and for better providing for the poor of Ireland* (1729).

proportionate to their labour product, which provided the stimulus of credit necessary to marry wants and industry within the closed economy.<sup>19</sup>

Berkeley wanted to reduce imports, as the old mercantilist school did, but not to hoard up gold. On the contrary, to increase circulation he would increase note issues and not add anything to the amount of gold. As outlined earlier, he wished to stimulate internal trade only, and notes were a national ticket, whereas gold was an international counter. Thus Q.289 asks whether a national bank creating money will not better advance the material wealth of Ireland than the discovery of a gold mine. In a time when coin was scarce, whatever the superfluity of potential or actual real wealth, and however elastic the elements in the price and income structure, the rate of interest was bound to be high, and this alone, he felt would inhibit enterprise. Consequently, Berkeley maintained that a national bank free from profiteering and stock jobbing (QQ.308,429) would put an end to usury, facilitate currency, supply the want of coin and produce ready payments in all parts of the kingdom (Q.277). He insisted, however, that any scheme must be treated as experimental and that his own proposals admitted to many variations. He was well aware of the crucial importance of wooing public confidence discretely and cautiously (Om.Q. IT,138,139). Berkeley could hardly have been unaware of the dangers of inflation and speculation given the disasters in London and Paris, but he attributed these disasters to undisciplined private appetites which a publicly regulated monetary authority should be able to control. For Berkeley, then, the supreme aim of the monetary authority would be the high level of production and employment: 'Whether a National Bank, and the advantages conceived to flow from it, must not multiply employments, and raise the value of those we have already' (*The Irish Patriot*, Q.25). Such a bank, consisting of land and paper money, would be the 'true philosopher's stone' (Q.459) of the state, for land cannot be exported, nor money imported.

However, Berkeley's proposal for a national bank failed to pass through Parliament. An adjustment was made in the Irish currency value of the English guinea and certain other foreign gold coins, which had the effect of removing the worst of the currency difficulties, though it fell far short of the complete monetary remedy which he had advocated. A national bank was not established for the country until 1783. *The Querist* foundered in its own time, too, because there was not the statistical information necessary (QQ.495,530), or the government administration in place, to work some of the analytically sound policies contained therein. The 'perverse' labour supply curve also remained, rendering futile Berkeley's concept of the right to work. If *The Querist* was no more than normally successful in making his countrymen think (and act) successfully, what of its longer-term contribution in helping subsequent economists to think?

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<sup>19</sup>Kelly, 1986



#### Section IV

*The Querist*- appeared some forty years before Adam Smith's *Wealth of Nations* (1776) initiated the classical approach to economics, based on the assumption that the main aggregates of demand and supply tended, apart from periodic frictions, to be satisfactorily self-regulating. One presumes that Smith and Hume read Berkeley's work, and the former in particular, reproduces many of its essential ideas, namely on the division of labour and consumption as the sole origin of wealth. In the fiscal context of strict public finance, however, Berkeley would have rejected Smith's view expressed in Book II of *The Wealth of Nations*, that paper money can never exceed the value of gold or silver which it replaced. And, of course, the whole subsequent history of banking in all mature economies has vindicated the contention of Berkeley and refuted that of Smith. As outlined in Section II, Berkeley morally considered luxury expenditure a detriment and criticised the satirical eulogy of luxury in Mandeville's *Fable of the Bees* (1714). However, Berkeley, like Mandeville, Petty, Barbon, and Steuart, would have rejected the economic analysis of saving and investment on which Smith based his eulogy of parsimony, and Smith's advocacy that public and private parsimony and laissez-faire were adequate guarantees for a satisfactory level of aggregate economic spending and activity. The Hutchison Smithian analysis, that saving is investment, later to be developed by James Mill and J.B. Say into a "law of markets" was markedly in contrast with the Berkeleyan attitude that 'the level of aggregate demand could [not] be left to settle itself and therefore 'that money not spent in one way would [not] inevitably get spent in another.'<sup>20</sup> Hutchison, on the other hand, was opposed to luxury on both moral and economic grounds and asserted that income not spent on luxury would be devoted to useful purposes since no one wants to hold money for its own sake. This, in due course, with the aid of Tucker and Turgot and later Mill and Say led on to the doctrine of 'the impossibility of over-production', to the Ricardo-Treasury view that public works will not diminish unemployment, and to the orthodox dismissal of all the 'under-consumptionist' arguments.<sup>21</sup>

There was no guarantee, in Berkeley's view, that a necessary and inherent harmony of interests (harmonielehre) would emerge from the conjunction of individual wants, objectives and proposals. Berkeley (and Steuart) had no faith in the "hidden hand" of the later English classicals. It is true that he recognised the rights of individuals and of individual property (Q.334), but it was at the same time the responsibility of the legislature, he argued, 'to guide men's humours and passions' and to incite their active powers...to make their several talents co-operate to the mutual benefit of each other and the general good of the whole,' (Q.346).

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<sup>20</sup>Ward, 1959

<sup>21</sup>Hutchison, 1953b

Berkeley, unlike Mandeville and the classicals, believed in the manageability of selfish men. Man could be acted upon by the legislator and institutions so that his social and economic behaviour would embody the divine will of God: in his *Essay* of 1721 he writes that 'the public safety require that the avowed contemners of all religion should be severely chastised.'<sup>22</sup>

In terms of economic analysis, Berkeley showed an awareness that Smith did not, namely that an inadequate level of employment and effective demand may be a serious problem which should be dealt with by the state through fiscal, monetary and other policies. The economic analysis and 'summons to national action' of Berkeley's *Querist* are perhaps nearer to the inter-war ideas of Keynes than to those of Smith. Hutchinson (1953a) stresses the importance of the pre-classical economists who prior to being driven underground by Smith and Mill, had posed many of the problems and remedies of Keynesian economics. The most important concept of Keynes' *General Theory of Employment, Interest and Money* (1936), was one with which Berkeley would concur: that capital is brought into existence not only by the propensity to save, but in response to the demand from actual and potential consumption. Keynes, like Berkeley, believed in more centralised monetary management, public works and tariffs if necessary to protect the balance of payments, all with the objective of increasing the level of unemployment and productivity above depressed level. Ward (1959) suggests such a comparison is unfounded since in eighteenth century Ireland there existed a vicious circle of poverty and an underdeveloped economy. These essentially long-run problems could not be solved by monetary measures alone, such as increasing effective demand. As Berkeley frequently stated, emphasis needed to be placed on education, improved productivity and technique, increases in the quantity of capital and investment and more advanced economic organisation. Keynes, on the other hand, developed a theory directed to a short-run dislocation in the functioning of an industrialised society. Still, the economies for which Berkeley and Keynes prescribed had common features; deflationary pressure, unemployed resources and currency and banking institutions unsatisfactorily (in their view) linked with precious metals.<sup>23</sup> Certainly, the extremely different conditions in the labour market, monetary institutions and in capital equipment must nullify any comparisons with the attempts by economists of different periods and places to

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<sup>22</sup>*Essay*, Works, VI, pp.70-1. In this notion he follows Locke, who in his Letter Concerning Toleration, wrote, "Those are not to be tolerated who deny the being of God."

<sup>23</sup>Hutchison, 1960, sees a not insignificant parallel between Berkeley's major interest in the monetary reform and monetary management, and a paper currency as against a gold one, with Keynes's pleas in the 1920's for the monetary reform and his attacks on the gold standard policy, in *Tract on Monetary Reform and Essays on Persuasion*

analyse the problems they face, but this would deny the possibility of writing any consecutive history of economic theories. Berkeley was surely, like Steuart subsequently, concerned with the by no means mutually exclusive problems of short-run unemployment, poverty, and waste and long-run development towards a higher standard of living. As Hutchison (1960) elucidates, the separation of growth and development problems from short-run unemployment problems is a rather recent development and to present Berkeley as an exponent of this modern separation would be 'to find in him the seeds of even more current economic doctrines than those of Keynes.'

## Section V

While Berkeley was a protectionist in relation to foreign trade, he did not completely reject mercantilist theory as it evolved in the later seventeenth and early eighteenth centuries. He was an early proponent of the distinction between the economies of the rich and the poor that would so exercise the attention of Hume, Smith, Steuart and other writers in the third quarter of the eighteenth century. He agreed with mercantilism in its opposition to economic liberalism and in the strong role played by the state in the economy, but, whereas the mercantilists relied on state power for economic ends, Berkeley's case for state involvement mixed technical economic considerations with moral, religious, educational and aesthetic concerns. His appeals were addressed not to the state, but to the well-to-do classes to exercise their economic power in a spirit of social justice and with a sense of social obligation. In a final evaluation of Berkeley's scattered works on political economy, one must be careful not to exaggerate his contribution to economic analysis. While he showed insight into a number of important concepts such as the division of labour, the distinction between productive and unproductive employment and the nature and functions of money, his analysis lacks the overall sophistication of his contemporary, Richard Cantillon. In contrast to Cantillon, there is no attempt to explain the functioning of an economic system. Berkeley's economic analysis is useful only to the degree it could be applied to actual conditions. The idealist philosopher who did not believe in the independent reality of matter was before all else a realist in his economic thinking.

## Notes

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