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# Hume, Money, and Civilization; or, Why Was Hume a Metallist?

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Meanwhile, my good lad, here is a trifle for you to drink Vich la Vohr's health." The hawk's eye of Callum flashed delight upon a golden guinea with which these last words were accompanied. He hastened, not without a curse on the intricacies of a Saxon breeches pocket, or spleuchan, as he called it, to deposit the treasure in his fob . . . .<sup>1</sup>

## Functionalism versus Metallism?

Hume's *Political Discourses* (1752) was his first immediate commercial publishing success—three editions were printed in two years—for it spoke directly to a vital concern of his central audience, the lawyers, lairds, academics, and merchants of the Scottish Lowlands and Borderlands: money. Hume's book was one of the most sophisticated and elegant analyses of the functioning of money available until then. Indeed, a number of his sketches of monetary behavior, especially his hydraulic approach to the flows of money on the international market, have been shaped into paradigmatic textbook examples of economic reasoning since then.<sup>2</sup>

But modern textbooks do not assume, as Hume is widely thought to have assumed, that money was metallic, i.e., gold and silver. This metallic assumption can be plainly seen in many passages of the *Political Discourses*. For example, in "Of Money" and "Of Interest" he writes as if this assumption

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were so obvious to the reader that there is no reason to make it explicit. Money and specie are elided in these chapters without much fuss:

It appears, that the want of money can never injure any state within itself: For men and commodities are the real strength of any community. It is the simple of manner of living which here hurts the public by confining the gold and silver to few hands, and preventing its universal diffusion and circulation. (R 45)<sup>3</sup>

And these commodities [the merchant] will sometimes preserve in kind, or more commonly convert into money, which is their common representation. If gold and silver have increased in the state together with the industry, it will require a great quantity of these metals to represent a great quantity of commodities and labour. If industry alone has encreased, the prices of everything must sink, and a small quantity of specie will serve as a representation. (R 52)

There are times when he contrasts metallic money with its alternatives in the *Political Discourses*, but always in a derogatory way. In "Of Money" he purposely contrasts the international acceptance of gold and silver with the doubts he entertains about "paper-credit":

That provisions and labour should become dear by the encrease of trade and money, is in many respects, an inconvenience; but an inconvenience that is unavoidable, and the effect of that public wealth and prosperity which are the end of all our wishes. It is compensated by the advantages, which we reap from the possession of these precious metals, and the weight, which they give the nation in all foreign wars and negotiations. But there appears no reason for encreasing that inconvenience by a counterfeit money, which foreigners will not accept of in any payment, and which any great disorder in the state will reduce to nothing. (R 35)

In "Of Public Credit" he disparagingly contrasts public securities with gold and silver (even though he categorizes paper-credit as a "species of money"):

Public Stocks, being a kind of paper-credit, have all the disadvantages attending that species of money. They banish gold and silver from the most considerable commerce of the state, reduce them to common circulation, and by that means render all provisions and labour dearer than otherwise they would be. (R 95)

In "Of the Balance of Trade" he argues that paper money is not "real cash" and drives the level of silver and gold circulating in a country below its "natural level" (R 68).

Due to passages like these, historians of political economy and economics from Marx, to Schumpeter, to Vickers, to Laidler have read Hume as a "metallist." For example, Vickers includes Hume's name in something of a roll call of metallists: "Child, Petty, Locke, Cantillon, Hume and Harris were prominent metallists." Of course, we must be clear about what "metallism" means as a typological term.<sup>4</sup> To do this let us turn to Schumpeter's definitions of two kinds of metallism, theoretical and practical:

By theoretical metallism we denote the theory that it is logically essential for money to consist of, or to be 'covered' by, some commodity so that the logical source of the exchange value or purchasing power of money is the exchange value or purchasing power of that commodity, considered independently of its monetary role.

By practical metallism we shall denote sponsorship of a principle of monetary policy, namely, that the monetary unit 'should' be kept firmly linked to, and freely interchangeable with, a given quantity of some commodity.<sup>5</sup>

These are, of course, two quite different kinds of commitment. The former claims a logical or "analytic" connection between money and some commodity, while the latter calls for principled (moral and/or political) relation to hold between money and a particular commodity (which, in the nature of things, might only accidentally be realized precisely).

Schumpeter includes Hume in his list of theoretical metallists, which begins with Aristotle and ends with Marx. In particular, he argues that Hume's view of money's metallic essence was typical of the average monetary view of the period. He claims that Hume's view "differs from [Sir Josiah] Child's only in explicitness and polish," while Child, a mercantilist theorist and spokesman of the English cloth industry in the late seventeenth century, "clearly identified money with those parts of the stocks of gold and silver that fill the monetary function and held that in spite of this function gold and silver, coined or uncoined, still remained commodities exactly like 'wine, oil, tobacco, cloth and stuff.'" <sup>6</sup> Indeed, in his short discussion of Hume's central monetary text, the 1752 *Political Discourses*, Schumpeter dismisses any possibility of "novelty" in Hume's work, although he recognizes its "force and felicity."

Given the weight of the passages from Hume and the commentary literature, can there be any reasons to be skeptical about Schumpeter's categorization

of Hume as a theoretical metallist? In this paper I argue that such doubts are indeed justified. Hume was never a theoretical metallist. However, there is no single category that easily subsumes his monetary ontology, for his views on money were philosophically complex and sensitive to economic developments, especially those transpiring in Scotland. In order to best locate Hume's view of money, one must situate Hume's monetary theory more deeply in the political project that he was embarked on in the *Political Discourses* and in the philosophy of money he created to accomplish his aims. In so doing, I conclude that Hume was, paradoxically, a practical, not a theoretical, metallist *in spite of* and *because of* the developments in Scottish society after the 1745 Jacobite rebellion.

The first source of doubt to as Hume's theoretical metallism is rooted in his attitude toward the eminent philosophers of money who immediately preceded him and with whose works he was quite familiar, Locke's contributions to the "recoinage debates" of 1696 and Berkeley's *The Querist* (1735-7). Locke was a paradigmatic theoretical metallist who argued that, even if the full-weight recoinage of England's money supply did generate a deflation, it was worth it in order to keep the whole monetary system from collapsing due to the increasing gap between the coinage's face value and its actual clipped value. In brief, he argued that the idea of money was a compound of an idea of a mixed mode and the idea of a corporeal substance. For Locke mixed modes are "Combinations of simple Ideas, as are not looked upon to be characteristic Marks of any real Beings that have a steady existence, but scattered and independent Ideas, put together by the Mind, are distinguished from the complex Ideas of Substances," while corporeal substances are "Combinations of simple Ideas, as are by Experience and Observation of Men's Senses taken notice of to exist together, and are therefore supposed to flow from the particular internal Constitution, or unknown Essence of that Substance."<sup>7</sup> The mixed mode aspect of money arose from its social and cultural use, while its material substance aspect allowed for its transcultural universal exchangeability. The gold and/or silver substances (and their primary qualities) constituting money gave it an objective status, a "standard made by nature," that could elicit agreement across languages and cultures.

Berkeley's notion of money was premised on his rejection of Locke's notion of material substance. From a Locke's perspective, Berkeley's espousal of a paper money system for Ireland was an attempt to identify money as a mixed mode alone; hence it was doomed to catastrophe. But Berkeley's critique of material substance implied that any notion of money rooted in it, like Locke's, would be a will-o'-the-wisp. For Berkeley, as I have argued elsewhere, "money was a mixed-mode notion stripped of any essential dependence on material

corpuscular substances. Its purpose was to stimulate and regulate action, not to measure and store a quantity of specie."<sup>8</sup> Money, by being a ticket, a counter, a token, a tally, or a mark—all metaphors that Berkeley used to describe its function—escaped the impossible Lockean expectation of being beyond all interpretation and subjectivity, for the primary function of money was to “excite the industry of mankind.”

These dichotomies matched the ontologies and concepts of money that structured the field Hume entered in writing the *Political Discourses*. Hume’s acceptance of Berkeley’s critique of Locke’s doctrines of substance, abstraction, primary qualities, should have brought Hume to question the philosophical justification of Locke’s metallism: *viz.*, that specie provides money with an objective naturalized substratum that makes international trade possible. What, then, would have brought Hume to embrace metallism? Given the binary structure of the philosophical/monetary field at the time, Hume’s anti-substantialism seems to be an incoherent foundation for a metallist ontology of money, which presumes the existence of intrinsic values and objective properties. This tension prompts one to ask: was Hume coherent throughout the range of his work? Was his philosophy compatible with his political economy as it intersected the monetary field? Could he consistently be a Berkeleyian-influenced skeptic concerning substance and an adherent of Locke’s metallism? To answer these questions adequately, one must study his monetary texts in conjunction with his philosophical ones.

Hume’s philosophical writings certainly abound with kernels of pure anti-substantialism. From his radically anti-Cartesian account of the self or mind as “nothing but a heap or collection of different perceptions united together by certain relations and supposed, though falsely, to be endowed with a perfect simplicity or identity” to his critique of the “fiction” of substance as the result of the tendency to fallaciously homogenize small differences into identities, Hume quite self-consciously made the metaphysicians of substance something of the knights errant of philosophy (T 207, 220).<sup>9</sup> Thus he writes of the proponents of substance:

they seem to be in a very lamentable condition, and such as the poets have given us but a faint notion in their descriptions of the punishments of Sisyphus and Tantalus. For what can be imagined more tormenting, than to seek with eagerness, what for ever flies us; and seek for it in a place, where ’tis impossible it can ever exist? (T 223)

This anti-substantialism has been one of most attractive features of Hume’s thought to those schools of philosophy that rage against schools.

Thus, earlier on in the recently past century, Hume was the darling of the autopsists of metaphysics, the logical positivists, and in the present “postist” period he has entered into the pantheon of “schizophrenic” philosophers via the work of Gilles Deleuze.<sup>10</sup> Anti-substantialism immediately folds into functionalism in Hume’s philosophy since what remains after the *auto da fe* of the idol of substance is a complex net of relations. Norman Kemp Smith describes this result as Hume’s “Relational View of Substance”:

To view objects or selves as ‘substance’ is not, therefore, on Hume’s teaching, to view them as *self*-subsistent. Like all other existents met with in experience, they are essentially *conditioned* modes of existence and are not, therefore, non-modal in the traditional meaning of that term.<sup>11</sup>

This “modalism” extends to causation itself. Hume’s rejection of any necessity in the causal relation places “causation” in the wider force field of association with those curious philosophical bastards “custom and habit.”

Anyone familiar with the history of the philosophy of money in the early eighteenth century and with Hume’s philosophical anti-substantialism and functionalism would, therefore, find the unambiguous theoretical metallism Schumpeter attributes to him rather a surprise. If one were choosing *a priori* what ontology of money would most comfortably match Hume’s functionalism, it would probably be close to Berkeley’s in *The Querist* (1735–7), i.e., he would eschew any kind of metallism. But, as we have shown, the passages supporting the metallist interpretation in Hume *Political Discourses* seem strong, even decisive. Was Hume being opportunistic here? Is this one of the famous marginal discontinuities that the deconstructionists make so much of?

There are, after all, apparent hesitations and contradictions in Hume’s monetary theory that Vickers, Marx, and others who categorized him as a metallist pointed out. Vickers, for example, notes, reflecting back on Locke’s metallism, that “though Hume was otherwise consistently a metallist, he opposes . . . the monetary restriction inherent in the previous recoinage arguments.”<sup>12</sup> The “previous recoinage arguments” that Vickers is referring to are Locke’s, who, as mentioned above, argued, with all the authority of his position as *the* ideologist of the Glorious Revolution, that the clipped coins in circulation in England in the 1690s should be recalled, melted down, and recoinced to the weight of the previous unclipped coinage.

In a telling footnote, Hume explicitly rejects the Lockean metallist orthodoxy: “And as a recoinage of our silver begins to be requisite, the continual wearing of our shillings and sixpences, it may be doubtful, whether we ought

to imitate the example of King William's reign, when the clipped money was raised to the old standard" (an entry in the Errata of the original *Political Discourses*) (R 39). Hume claims that the best form of recoinage would have a "penny's worth of silver taken from every shilling, the new shilling would probably purchase everything that could have been bought by the old; the prices of everything would thereby be *insensibly diminished* . . . . In executing such a project, it would be better to make the new shilling pass for 24 halfpence, in order to *preserve the illusion, and make it be taken for the same*" (R 39, italics mine).

It is important for our purposes to note that Hume's suggested monetary manipulation essentially uses the human mind's "tendency to fallaciously homogenize small differences into identities" that brings about the "fictions" of substance, according to Hume's account, to create a beneficent "gradual and universal increase in the denomination of money." Thus, in this case, Hume's philosophical anti-substantialism directly supports his criticism of strict metallism, *à la* Locke.

Marx also found Hume's metallism problematic and insisted on pointing to a contradiction in his monetary views, since "[Hume] makes gold and silver enter the world of commodities as noncommodities; but as soon as they appear in the form of coin, he turns them, on the contrary, into mere commodities, which must be exchanged for other commodities by simple barter."<sup>13</sup> Hume does not distinguish, as a theoretical metallist should in Marx's view, *how* the quantity of money increases and therefore he confuses a "sudden and forcible transfer of hoarded money from one country to another," an undervalued recoinage of the sort described above, an issuing of token money or paper-credit notes, and the importation of gold and silver whose cost of production has lowered. As a consequence, Marx argued that for Hume "gold and silver are thus things without value, but in the process of circulation, in which they *represent commodities*, they acquire a fictitious value."<sup>14</sup> Marx is right here; this is hardly the doctrine of a theoretical metallist, but is it a symptom of Hume's general suspicion of "intrinsic value" of anything, gold and silver included?

These inconsistencies discussed by Vickers and Marx are rooted in a more basic tension in his philosophy of money that puts his ultimate theoretical metallism in question. But determining whether Hume was a metallist at all and, if he was, what kind of metallist he was, requires more than an examination of his philosophical texts. A careful study of the historical context of the first edition of the *Political Discourses* (1752) and the transformation of Hume's views on money in his writings after 1752 is also needed in order to understand the source of Hume's ambivalences and complexities.

## The Scottish Setting of the Paradox

In order to examine and resolve this tension in Hume's philosophy of money, it is crucial to consider the role money played in the political project Hume confronted during the writing and publication of the *Political Discourses*. The book was published in 1752, but we know that it was conceived in the late 1740s, since a *précis* of its main themes can be found in Hume's letter to Montesquieu of 10 April 1749.<sup>15</sup>

What was the decisive political/social project occupying the minds of Hume and the other "Enlightened" Scots of his day that could have been the source of Hume's political-economic concern?<sup>16</sup> This project was complex and Janus-faced. One side of the project was long-term and faced south to London and through London to the world market. After the disastrous collapse in 1700 of the Darien Company, the Scottish ruling elite's main attempt at developing its own colony in Panama, their only reasonable path to taking part in the world market was through London, and the majority of them reluctantly acceded to this bitter wisdom by accepting the offer of Union in 1707.<sup>17</sup> Immediately after the Union, the circle of improving lairds, lawyers trained on the continent, and Atlantic merchants located in the corridor between Edinburgh and Glasgow exerted an impressive political, juridical, and intellectual impact on London and the Empire more than commensurate to their financial and merchant capital.<sup>18</sup> The intellectual achievements of this elite were recognized in the eighteenth century and even today the Scottish Enlightenment is given a place of honor next to the French with the English trailing behind. The juridical impact, especially through the work of William Murray, Lord Mansfield, a Lowland Scot, literally revolutionized British commercial law and nearly threatened to do the same for its criminal law by injecting the principles of Scottish civil law into English common law.<sup>19</sup> The Scots also literally "invaded" the British army, its diplomatic service, and penetrated into the highest levels of the executive.<sup>20</sup>

Hume was a ready recruit in this "invasion," for he served as a clerk in a Bristol merchant's firm, an aide-de-camp in the British army, and in a number of posts in the diplomatic corps in Turin, Vienna, and, of course, Paris. But his most important thrust was intellectual. The project he took up after the publication of *Political Discourses* was *The History of England*, which became the authoritative account for the English of their own history for almost a century. Certainly Hume's prescriptions in 1752 (especially in "Of the Balance of Trade," "Of Taxes," and "Of Public Credit") were directed against the long-established mercantilist policies emanating from London that hampered Scottish trade and industry for nearly a century.

But there was another face to the political project of Hume's circle, one which looked north to the Scottish Highlands. That aspect of the project was imperative at the time, but it has been neglected by most of Hume's commentators.<sup>21</sup> The 'Forty-Fiver and its aftermath clearly constituted the most decisive moments of Scottish history overlapping the writing of the 1752 *Political Discourses*. In 1745, thousands of armed Scottish Highlanders and others, bent on overthrowing the English crown and putting Bonny Prince Charlie's father on the throne, marched into the Lowlands, taking Edinburgh and all the major Scottish towns. Then they penetrated deep into England. The invasion lost momentum at Derby, within one hundred miles of London, and the Highlanders retreated back into Scotland that winter. This force defeated or outmaneuvered the official troops sent against them until, finally, they were confronted and decisively destroyed by the British Army at Culloden, in Scotland, in April 1746.<sup>22</sup>

The official "cause" of this remarkable political-military knife thrust into the heart of the most powerful state on the planet was Jacobitism, i.e., the demand for the return of the Stuarts to the British Throne. And much has been made of the "romantic" (tending on "crazed") aspects of the cause of "Bonny Prince Charlie" in song and story.<sup>23</sup> But what made so many thousands of men and women risk so much for what appeared to be an outlandish and lost cause (and, at the same time, get so close to victory)?<sup>24</sup>

Hume and his Lowland Scottish Enlightenment circle knew the reasons quite well, since they were in constant touch with the Highlands and many of them, like Adam Ferguson, harkened from there. Moreover, much of the meat at their dinners came from the North. The Highland fighters' concern was no more nor less the preservation and development of their mode of life. Hume and his circle called it "barbarian" or "rude"; a little later Samuel Johnson called it "patriarchal"; some contemporary authors call it "Celtic Feudalism"; I might add that it had elements of "runrig communalism."<sup>25</sup> It was a remarkably "mixed" system, composed of elements of all the known "stages" and "modes" of economic organization known to the Scottish Enlightenment.<sup>26</sup>

The Highland mode of life demanded that each adult male develop a generalized military capacity that was continually exercised in the internal feuds, social banditry, civil and international war the Highlanders engaged in. Moreover, there were 652,000 Highlanders in 1750, or about 51% of the Scottish population.<sup>27</sup> The Highlanders were a heavy and dangerous presence in the mind of the "modernizers" of the late 1740s, Hume included. Certainly, the Enlightened Lowland Scots could hardly achieve much headway with their subtle "invasion" of England, if their Highland cousins were erupting and threatening the whole British empire every decade or so.

This way of life was increasingly being pressured and transformed by the expansion of capitalist relations emanating from the Lowlands. But the Highlanders' resistance to becoming a mere northern appendix of the Lowlands was not only a military concern. For this resistance might ignite the mass of the Scottish and English population's general lack of enthusiasm for the Hanoverian Whig regime some day. It is all too easy to shrug off historical might-have-beens, but there was no such complacency in Edinburgh and London in 1745-6! The 'Forty-Fiver had been the fourth largest rebellion in sixty years aimed at reversing the consequences of the "Glorious Revolution," and it had very nearly succeeded. Moreover, the loyalty of Britain's other "others"—the London "mob" and the Irish "natives"—could not be counted upon if another such uprising poured out of the Highlands.

Hume himself was a worried and antagonistic spectator to the 'Forty-Fiver.<sup>28</sup> He was spending the year with the mad Marquess of Annandale in England, and his correspondence with his Scottish circle avoided all direct reference to "the present unhappy troubles" for fear of incriminating himself or his correspondents in case a letter was opened by the Jacobite authorities in occupied Edinburgh. But a year and half after Culloden, Hume wrote and published *A True Account of the Behavior and Conduct of Archibald Stewart, Esq. In a Letter to a Friend* to exculpate the former Provost of Edinburgh, Archibald Stewart, from allegations that he purposely let the Jacobite forces take Edinburgh in 1745. Hume applied the now classic Scottish Enlightenment theory of stages in explaining why it was so hard for Provost Stewart to defend the city:

When Men have fallen into a more civilized Life, & have been allowed to addict themselves entirely to the Cultivation of Arts and Manufactures, the habit of their Mind, still more than that of their Body, soon renders them Unfit for the use of Arms and gives a different Direction to their Ambition . . . . But the barbarous Highlanders, living chiefly by Pasturage, has Leisure to cultivate the Ideas of military Honour . . . all this nourishes their martial spirit, & renders them, from their Cradle, compleat soldiers in everything but the knowledge of Discipline.<sup>29</sup>

This contrast was recognized by the people of Edinburgh when they stopped the volunteer troops who were about to march out with Provost Stewart to confront the Jacobites and "represented to them the infinite Value of their Lives, in comparison of those Ruffians, the Highlanders."<sup>30</sup> But this contrast laid the basis of the paradox: without the intervention of the British army, "eight Millions of People" might "have been subdued and reduced to Slavery

by five Thousand, the bravest, but still the most worthless amongst them."<sup>31</sup> Thus *A True Account* posed a terrible paradox and was problematic for Hume as he was writing *Political Discourses*. He shared them with the others of the social circle he was entering into during the early 1750s when he settled in Edinburgh and took on the post of Keepership of the Advocates Library and that of joint secretary of the Philosophical Society of Edinburgh. Hume and his circle agreed that Culloden must have decisive social consequences: *the old Highland mode of life had to be terminated*. The question remained: how?

As William Ferguson put it:

Much more than Jacobitism died at Culloden. Thereafter the disintegration of the old Highland society, already advanced in some quarters, was accelerated. The patriarchal authority of the chiefs and great territorial magnates was gradually transformed into landlordism. The demilitarization of Highland life broke the bonds of mutual interest and idealized kinship which had bound chiefs and clansmen and paved the way for a new social relationship in which the landlords came to regard their people as tenants and cotters.<sup>32</sup>

The Scottish Enlightenment figures felt the edge of the Highland knife at their collective throats for six months in the fall and winter of 1745–6 while their fate hung in the political-military balance. All of them vowed that it would not happen again. But what was to be done?

The Homes, Elliots, Oswalds, the Clephanes, the Smiths, and Hume's other correspondents were actively involved in finding a solution to the Highland problem. First, of course, was the phase of slaughter, extirpation, transport, and exile.<sup>33</sup> Then came the legislation directed at destroying the fabric of the communalist-feudal-pastoral life, from the Act prohibiting Highland Dress to the abolition of Heritable Jurisdictions, a Parliamentary action that Hume informed Montesquieu was one of the most beneficent results of the 'Forty-Fiver.<sup>34</sup> But slaughter and legislation followed the previous rebellions and nothing had essentially changed. Repressive violence and prohibition were not enough to transform the Highlands. Something more was required: civilization.

The task of civilizing the Highlands, i.e., of transforming the Highland mode of life to a capitalism *fully* integrated with the rest of Britain and the world market would have to be "micro-managed," and that job fell to the juridical intellectuals of the Scottish Enlightenment. The Highlands became their special field of social experimentation in the half century after Culloden.<sup>35</sup> Hume's *Political Discourses* was one of many efforts to map out the strategy for such a program of transition. In this regard, it is worth noting

the place and time of their publication: Edinburgh in January 1752. This was right in the midst of an intense but carefully negotiated period of legislation preparing the infrastructure of this IMF-type planning effort and the selection of its personnel, which had its focus in the various legislative acts directed at first pacifying and then civilizing the Highlands. Youngson describes this period in the following words:

After the collapse of the Rebellion, a large number of estates, most of them in the Highlands, were forfeit to the Crown through the attainer for treason of their owners. The Vesting Act of June 1747 authorised the Scottish Court of Exchequer, as guardians of Crown revenues in Scotland, to survey and value these estates, appoint factors, determine claims and pay creditors. In all, fifty-three estates were surveyed, and forty-one of these forfeited estates were sold by public auction to pay creditors, but thirteen estates were inalienably annexed to the Crown by the Annexing Act of March 1752. This Act provided that the rent and profits arising from the estates were to be used solely “for the Purposes of civilizing the Inhabitants upon the said Estates, and other Parts of the Highlands and Islands of Scotland, and promoting amongst them the Protestant Religion, good Government Industry and Manufactures, and the Principles of Duty and Loyalty to his Majesty, his Heirs and Successors, and to no other Use or Purpose whatsoever.” Unpaid Commissioners, of whom there were at various times between twenty-eight and thirty-five, were appointed; crown officials, noblemen, judges, substantial lairds.<sup>36</sup>

Annette Smith, in her description of the preparations leading up to the drafting and passage of the Annexing Act, writes that “in the years preceding the successful passing of the Annexing Act, the ultimate aims of annexation, the methods of achieving these aims, and arrangements for administering the estates were widely discussed in Scotland.”<sup>37</sup> These discussions included the major figures across the Scottish political spectrum—from Lord Milton to Lord Desford—in agreement that something must be done to finally “civilize the Highlands.” Indeed, General Bland, the Commander-in-chief in Scotland, sent a paper entitled “Proposals for Civilising the Highlands” to the *Caledonian Mercury* in June of 1747.<sup>38</sup> The Annexing Act was an exemplary legal tool aimed at practically solving one of the major problems central to the *Political Discourses*, just as undoubtedly Hume’s Edinburgh lawyer circle helped set up the wording of the Act.

One way of establishing how close Hume was personally to the Annexing Act is to examine the number of members of the Board of Commissioners and

Trustees for the Annexed Estates that met between 1755 and 1784 who were acquaintances, friends, or colleagues of Hume. Of the fifty-five ordinary members of the Board, Hume was acquainted with at least twenty-three. Of the ten ex-officio members, Hume was in some communication with at least five.<sup>39</sup> Moreover, given Hume's identification with the legal profession via his position at the Advocates Library, the predominance of lawyers in the Commission would have also brought Hume directly in touch with the work of the Commission.<sup>40</sup> Finally, a number of Hume's closest intellectual peers like Lord Kames and friends like Gilbert Elliot became important players in the Commission.<sup>41</sup>

Thus Hume's conception of civilization would have a ready audience among friends and colleagues who were legally charged in the text of the Annexing Act with "civilizing the Highlands." This concept was at the center of their theorizing, and the *Political Discourses* analyzes the process of transforming a "barbarian" and "rude" people into a "refined" and "civilized" one, i.e., a people who operate wholly within a legal system of property exchange relations.<sup>42</sup>

The very order of the essays in the 1752 *Political Discourses* (amplified in 1753-4 in the *Essays*) shows us Hume's intent:

- I. Of Commerce
- II. Of Luxury [later Of Refinement in the Arts]
- III. Of Money
- IV. Of Interest
- V. Of Balance of Trade
- VI. Of Taxes
- VII. Of Public Credit
- VIII. Of the Populousness of Antient Nations
- IX. Of the Protestant Succession
- X. Of the Balance of Power
- XI. Of Some Remarkable Customs
- XII. Idea of a Perfect Commonwealth<sup>43</sup>

Here we see the agenda of social reconstruction set out for the Commissioners in outline, from the material foundations to the demography to the political superstructure. The anti-Jacobite tenor is clearly determined by the inclusion of the essay on the Protestant succession that was ready for publication in 1748 but was withdrawn since it was still too "risky" then.<sup>44</sup> The first pages of the *Political Discourses* show us the way Hume envisioned the problematic of the Highlands:

As soon as men quit their savage state, where they live chiefly by hunting and fishing, they must fall into the classes [of husbandmen and manufacturers]; tho' the arts of agriculture employ *at first* the most numerous part of the society. Time and experience improve so much these arts, that the land may easily maintain a greater number of men, than those who are immediately employed in its cultivation, or who furnish the more necessary manufactures to such as are employed. If these superfluous hands apply themselves to the finer arts, which are commonly denominated the arts of *luxury*, they add to the happiness of the state; since they afford to many the opportunity of receiving enjoyments, which they would otherwise have been unacquainted. But may not another scheme be proposed for the employment of these superfluous hands? (R 5–6)

The initial problem of the *Political Discourses* is posed by “superfluous hands” coming out of a transition from a “savage state” and being driven into the manufacturing labor market by increasing agricultural productivity. The question to be answered is: what is the best “scheme” for the employment of these “superfluous hands”? This indeed is the problem of “civilization,” i.e., how one transforms rural clanspeople into civilized beings. But this was exactly the problem that was posed by the Annexing Act of March 1752 and was on the minds of the hundreds of Scots who were simultaneously readers of the *Political Discourses* and prospective or actual Commissioners for the Annexed Estates.

Hume, of course, posed the problem of civilization in the form of “general principles” in the *Political Discourses*, as he warns us in the first paragraphs of that book (R 3). And, after all, in the world of the 1750s there were many other barbarous people besides the Scottish Highlanders. But it would be unlikely that Hume, who was so deeply committed to “the application of experimental philosophy to moral subjects,” would not be deeply interested in the fate of an experiment—both of the Annexing Act and the broader movement to civilize the Highlands—concerning one of the most important moral and political questions taking place in his own country, being run by his closest friends, and involving the historical fate of his class.<sup>45</sup> The civilizing of the Highlands clearly posed a paradigmatic test case for any theory of civilization. His work, therefore, was of immediate interest to those of his companions who were politicians involved with “the domestic government of the state, where the public good, which is, or ought to be their object, depends on the concurrence of a multitude of causes” (R 4).

## Money and Civilization

Now that one of the specific political projects of the *Political Discourses*, the civilization of the Highlands, has been established, the role of money in the project must be defined. It clearly is important in Hume's view by its placement in the series of topics in the *Political Discourses*, for the essay "On Money" follows immediately after "Of Commerce" and "Of Luxury." Hume's approach to the problematics of money, however, is rather different from the mercantile theorists who already had before them an ongoing, functioning world market. He was, of course, quite cognizant of this aspect of money, since he was a citizen of the greatest power in this market and his own immediate Scottish ruling group was beginning to share in it through the tobacco and sugar trade:

We know that by 1735 there were 47 square-rigged ships, mostly owned by Glasgow merchants, sailing out of Glasgow's harbours at Port Glasgow and of these 15 were trading to Virginia, 4 to Jamaica, 1 to Barbadoes, 1 to Antigua, 2 to St. Kitts, 5 to London, 3 to Boston, 5 to the Mediterranean, 2 to Holland, 7 to Stockholm and this in addition to many English and foreign-owned ships bringing cargoes.<sup>46</sup>

This trade expanded dramatically in the ensuing thirty years, so that in "1738 the Scots accounted only for 10 per cent of the total British [tobacco] importation; but by 1765 this had risen to an astonishing 40 per cent of a UK trade which had itself expanded remarkably in the intervening years."<sup>47</sup>

But Hume had his eye not only on the slave plantations of Jamaica and the Carolinas, or the sugar wharves of Amsterdam; his major immediate concern was nearer at hand. For the problem posed by the Highlands was the extension of commercial relations to an economy that had not been completely monetarized. Walter Scott, decades later, was deeply aware of this problem and chronicled the transition from a clannish to a capitalist attitude toward money in his *Waverley* series. His works still have much to teach philosophers and historians of money. It would be worthwhile to reflect on the little exchange described in the epigraph of this paper; it is classic Scott. First, money is not being exchanged between the Highlander Callum and the Englishman Waverly "productively" (i.e., for capital, labor or even commodities), but it is a quasi-gift to be spent on a "luxury." Second, the money itself is a golden object of "delight"; it is a "treasure" and not necessarily an abstract mediator to a market world. Finally, the "spleuchan" represents the constrictions on the free flow of monetary exchanges embedded in Highland

life. This small exchange illuminates the strength of archaic economic practices in the Highlands of the mid-eighteenth century.

What role, then, could money play in modernizing and civilizing the Highlanders, who were still in thrall to the “gift economy”?

With this problematic in mind we see that Hume’s continued references in the *Political Discourses* to “the ancient simplicity of manners” (R 44) and “the first and more uncultivated ages of any state” (R 42) are not only to some arbitrary anthropological construct, rather they also refer to the actual historical situation of the Highlands in the eighteenth century.<sup>48</sup> Further, his insistence on the primary standard of a policy’s success or failure being a “change in the manners and customs of the people” is not just a generalized precept. It refers to the immediate political problem of his circle.

Money could be an important element in this change of manners, Hume argued, but not as the mercantilist logic supposed, for:

The absolute quantity of the precious metals is a matter of great indifference. There are only two circumstances of any importance, viz., their gradual increase, and their thorough concoction and circulation thro’ the state. (R 46)

The actual quantity of metals is not important, just as the relativity of motion makes the absolute constant velocity of a body unimportant, rather the differentials are crucial. The accelerative effects of an increase in the money supply and the extensive increase in the field of monetary impact are the crucial variables of change for Hume. This bit of Newtonianism in moral (here, “economic”) subjects was typical of Hume. For he prided himself on bringing Newtonian “experimentalism” into “the science of MAN” (T xv, and exemplified at T 332–46), and the Newtonian “experimental method” was to go from the phenomena to the *forces* and hence back to the phenomena. *Real forces*, however, can only be seen at play when accelerative (or decelerative) effects are produced.<sup>49</sup>

Surely after Culloden, Hume’s reflections on the real social force of money were quite useful in answering the question: what kind of monetary strategy had to be adopted to bring about a permanent change in the manners and customs of the Highlanders? First, there had to be an increase in the money supply, since “’tis only in this interval or intermediate situation, between the acquisition of money and rise of prices, that the increasing quantity of gold and silver is favourable to industry” (R 38). As the new money diffuses through the social field, thousands of surprising accelerative microeffects arise: “manufacturers employ *more* workmen” but “workmen *become* scarce,

the manufacturer gives *higher* wages, but at first requires an *increase* of labour" while the workman "returns from the market with *greater* quantity and *better* kinds" of goods, and the farmers who supply the market "apply themselves with alacrity to *raising more*." This increase in the absolute quantity of money "must first *quicken* the diligence of every individual" (R 38, my italics).

Similarly, what is important is not simply the ratio between the absolute quantity of money and the absolute quantity of commodities in a country. The real effect of money is measured in the increasing number of "collisions" between commodities and money. This number is determined by how much a society has moved from the "ancient simple manner" to a state of "industry and refinement." For as industry and refinement intensify, the number and area of money-commodity collisions increase, absorbing and digesting the money supply automatically.

These real effects are clearly not independent of each other. The first can support and amplify any movement of the second. This was important advice in 1752, for if the civilizing transformation from simple to refined manners is to be accomplished with alacrity in the Scottish Highlands, there needed to be an effort to "quicken the diligence of every individual." Thus Hume's policy recommendation: "The good policy of the magistrate consists only in keeping [the quantity of money], if possible, still increasing; because, by that means, he keeps alive a spirit of industry in the nation, and increases the stock of labour, in which consists all real power and riches" (R 39).

When one examines the banking industry in Scotland in the years immediately after the 'Forty-Fiver, we see that both London and Edinburgh seemed to be heeding the Humean message, or else Hume was considering the messages emanating from the Scottish bankers and financial advisors of George II. Here is a list of financial actions taken in between 1746 and 1753 relevant to the money supply's relation to the Highland problem:

(a) In July 1746 the British Linen Company was chartered with an authorized capital of £100,000. As Neil Munro describes the operation, it quickly led to increasing the circulation of money throughout Scotland:

Its more obvious business was to foster the linen trade by the importation and distribution of flax, and the collection and sale of the manufactured product. This necessitated agents all over the country with a certain amount of ready money at their command. In a very short time those agents were provided with British Linen Company promissory notes for £5, £10 and £20, payable on demand, and £100 bearing interest at 3.5 and 4 per cent. Those notes the agents used in

paying for goods received, and the Royal Bank [of Scotland], with whom the British Linen Company kept its account and had a substantial credit, retired them as a matter of course. This British Linen Company's network of agents throughout the country laid . . . the foundation of the widespread system of branches which has given such an impulse to Scottish banking.<sup>50</sup>

(b) New banks were begun in Glasgow and Aberdeen in 1749. The Banking Company of Aberdeen was the first private banking company to issue bank notes in Scotland.<sup>51</sup>

(c) In 1751 the city fathers of Edinburgh asked for and received a loan for £5,000 from the Royal Bank of Scotland to launch a major "urban renewal" project that would make Edinburgh a "Modern Athens."

(d) In 1751 the two major Scottish Banks, the Bank of Scotland and the Royal Bank of Scotland, concluded a pact of cooperation and agreed upon a clearing house for financial paper.<sup>52</sup>

(e) "In March 1753 the Royal Bank introduced what was virtually the equivalent of the modern bank draft, to enable its customers to remit money by post without the necessity for sending bank notes."<sup>53</sup>

These actions set the basis of a system of paper-credit money that, within a short time, dominated Scottish economic life. For specie was incessantly "drained" into England. "To provide a currency for the payment of workmen's wages and the like, private companies and private individuals in many parts of the country issued notes for trivial sums."<sup>54</sup> Indeed, something of a small note mania exploded in post 'Forty-Five Scotland making silver and gold a rarity in average transactions, to the point that Adam Smith in 1776 would note:

An operation of this kind [the issue of paper money] has, within these five and twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almost every considerable town, and even in some country villages . . . . The business of the country is almost entirely carried on by means of the paper of those different banking companies, and which purchases and payments of all kinds are commonly made. Silver very seldom appears except in the change of a twenty shillings bank note, and gold still seldomer.<sup>55</sup>

Indeed, it would seem that this transition from a metallic to a paper-based monetary system was the practical answer to Hume's strategy of stimulating "the spirit of industry" in the Highlanders in order to help change their "customs and habits."

But Hume was extremely suspicious of this development, though he recognized that it could lead to the accelerative effects that he deemed crucial in the role money can play in the civilizing process. He wrote as a footnote in "On the Balance of Trade":

We observed in Essay III ["Of Money"], that money when increasing, gives encouragement to industry, during the interval between the increase of money and the rise of the prices. A good effect of this nature may follow too from paper credit; but 'tis dangerous to precipitate matters, at the risk of losing all by the failing of that credit, as must happen upon any violent shock in public affairs. (R 68)

Hume was not alone in his concern. Charles Munn quotes a passage the directors of the Bank of Scotland wrote in 1752:

taking into consideration the circumstances of the country with regard to the great circulation of paper credits occasioned by private persons erecting themselves into Banking Companies without any public authority, particularly the two Banking Companies lately set up in Glasgow . . . were of the opinion that some measure would be speedily taken for preventing the dangerous consequences that might arise not only to this company in particular but to the credit of the nation in general from too great a circulation of paper.

After quoting the directors, Munn added, "Seemingly someone at the Old Bank had read the proofs of David Hume's *Essays, Moral, Political, etc.*, published in 1752."<sup>56</sup> Hume continued his suspicion of paper credit throughout the 1750s, if his 6 April 1758 letter to Lord Elibank, his long-time Jacobite friend and critic of paper money, is any indication. Elibank had given Hume proofs of his *Thoughts on Money, Circulation, and Paper Currency* to comment upon, and in response Hume wrote:

Banks are convenient by the safe Custody & quick Conveyance of Money; but as to the Multiplication of Money, I question whether it be any Advantage either to an industrious or idle Country. It seems to prevent the Importation of as much Bullion (which has a real

intrinsic Value) as the Paper amount to. The Bank of Amsterdam does not multiply Money.<sup>57</sup>

Was Hume's hostility to paper credit based on theoretical metallism? Did he reject paper money because he argued that money had to be a commodity before it could become a meta-commodity (as he seems to do in his most mercantilist reference to bullion's "real intrinsic value")? Certainly his criticism is mainly directed at Scotland and the American colonies, where paper money was increasingly being used. What were his criticisms? They were four: (i) paper money tends to drive precious metals from circulation, "paper credit or current paper was introduced in [our colonies], which caused all the silver to depart" (R 188); (ii) paper money "gives too great facility to credit, which is dangerous" (R 72); (iii) paper money is useless in international transactions, for "foreigners will not accept [it] in any payment" (R 35); (iv) paper money causes inflation "by increasing money beyond its natural proportion to labour and commodities, and thereby heightening their price to the merchant and manufacturer" (R 36).

Each of these reasons, however true they were for eighteenth-century Scotland, do not in themselves show us that Hume was a theoretical metallist, though it was undoubtedly Hume's hostility to "paper money," to "paper as money," to "paper credit," that convinced Schumpeter that Hume was a theoretical metallist. Schumpeter concluded this in the face of some obvious counter-evidence, especially the fact that Hume begins his essay "Of Money" with one of the classic formulations of functionalism in the philosophy of money:

Money is not, properly speaking, one of the subjects of commerce; but only the instrument which men have agreed upon to facilitate the exchange of one commodity for another. It is none of the wheels of trade: It is the oil which renders the motion of the wheels more smooth and easy. (R 33)

But what was the nature of Hume's critique of paper money? Did it arise from a deep sense of ontological violation evoked in him by paper money? Do the four problems with paper money listed above constitute such a thoroughgoing rejection?

The first of the four problems is an application of Gresham's law; the second is a sociological observation that was quite relevant for the Scottish situation in the immediate aftermath of the 'Forty-Fiver; the third is a simple recognition that Scottish paper shillings were not "world money"; but the

fourth is the most telling on this account, for whenever a philosopher uses a word like “natural” in her/his critique, something basic is being signaled. What is the “natural proportion” that paper money upsets?

In order to answer this question we must recognize that Hume has a complex analysis of “nature” and the “natural.” For he contrasts “natural” to “miraculous,” to “unusual,” to “artificial,” to “civil,” and to “moral” in the *Treatise on Human Nature* (T 474–5). The notion of “natural” he is using here is in immediate contrast to “artificial,” i.e., “performed with a certain design and intention” or “purposely contriv’d and directed to a certain end” (T 475, 529). The natural/artificial contrast here is not so much one between the paper and precious metal *qua* money, but rather a contrast suggested by Hume’s hydraulic model of international money flows that define a “usual” versus an “unusual” state. Hume asks us to suppose that, by a miracle, the “money of GREAT BRITAIN were multiplied fivefold in a night.” This miracle, he ironically argued, would set off a process of equilibration that would bring the money of Great Britain “to a level with foreigners.” He then generalized:

Now, it is evident, that the same causes, which would correct these exorbitant inequalities, were they to happen miraculously, must prevent their happening in the common course of nature, and must for ever, in all neighbouring nations, preserve money nearly proportionate to the art and industry of each nation. All water, wherever it communicates remains always at a level. Ask naturalists the reason; they tell you, that, were it to be raised in any one place, the superior gravity of that part not being balanced, must depress it, till it meet a counterpoise; and that the same cause, which redresses the inequality when it happens, must for ever prevent it, without some violent external operation. (R 63–4)

“Natural” here relates to this hydraulic model, which requires a communication and flow of the systemic fluid. But paper money does not flow throughout the world system, e.g., foreigners would not accept the British Linen Company notes as payment for linen manufacturing equipment. Consequently, it cannot find its “natural” level. This characteristic of paper money does not necessarily make it “un-natural” on all dimensions. For, as Hume said of virtues and vices, paper and precious metals are *both* artificial *and* natural.

And here we should make a textual note. The following crucial passage for our argument was not to be found in the first five editions of the essays in *Political Discourses* which were included in *Essays and Treatises on Several Subjects* in 1753–4 (i.e., 1752, 1752 [2nd ed.], 1753–4, 1758, 1760), but it appeared

in the 1764 edition and those after. Hume begins the vital paragraph in which the passage is placed a bit shamefacedly by noting “all these questions of trade and money are extremely complicated.” Then in a typically Humean turn of phrase he continues:

there are certain lights, in which this subject may be placed, so as to represent the advantages of paper-credit and banks to be superior to their disadvantages. That they banish specie and bullion from a state is undoubtedly true; and whoever looks no farther than this circumstance does well to condemn them; but specie and bullion are not of so great consequence as not to admit of compensation, and even an overbalance from the encrease of industry and of credit, which may be promoted *by a right use of paper money*. (R 70, my italics)

Something had changed in the twelve years between 1752 and 1764 to bring about the new “light” on the matter of paper money. I suggest that it was the process that Smith described in the *Wealth of Nations*: the gradual dominance of paper in most transactions in Scotland and the tremendous growth of the Scottish economy based on the international tobacco boom, the increased prices for cattle, and the intensifying productivity of the linen trade.<sup>58</sup>

But at the same time, the effects that Hume warned of continued to intensify: (a) the flow of specie from Scotland, and (b) the multiplication of small and branch banks and the issuance of notes by these banks and companies. As Munn writes:

The shortage of specie was particularly acute in the period 1761–5 but it was by no means a novel situation. Specie was never in abundant supply. The lack of coin forced many firms in trade and manufacturing to issue ‘Birmingham buttons’ and notes of small denomination as substitutes for coins. Notes for 1 [shilling] and 5 [shillings] were the most common. These notes often contained the option clause which was frequently invoked. In 1764 a writer in the *Scots Magazine* estimated that there were 14 note issuers in Scotland in addition to the public banks; the editor reckoned that there were twice that number.<sup>59</sup>

This led to a “severe balance of payments crisis in 1762–63,” the time of the sixth edition of the *Essays*. The two major banks of Scotland agitated for a bill that would deal “with the banking irregularities of those vexatious Scotsmen.” It became Act 5 of George III. c. 49 (1766), which made it unlawful “to

issue any note, ticket, token, or other writing for money, of the nature of a bank note, circulated, or to be circulated as specie, but such as shall be payable on demand in lawful money of Great Britain, and without reserving any power or option of delaying payment thereof for any time or term whatever."<sup>60</sup>

But let us not forget that Hume's 1764 additions include that telling little phrase "right use of paper-money." Was this evidence of a major conceptual fissure in Hume's thought? Had the ensuing twelve years of intense experience with the consequences of a paper-money economy in the context of a major piece of social engineering (the civilizing of the Highlands) revealed a contradiction lurking in Hume's philosophy of money from the beginning? That is, did this experience finally force him to recognize the mismatch between an earlier monetary metallism and his philosophical functionalist ontology?

In order to answer these questions we must examine what Hume meant by money from his earliest writings, i.e., Hume's semantics of money.

## Money and Representation

For Hume the basic semantic relation between money and commodities is that of "representation." Consider some typical passages in "Of Interest" dealing with this relation:

If a man borrow money to build a house, he then carries home a greater load; because the stone, timber, lead, glass, &c. with the labour of the masons and carpenters, are represented by a greater quantity of gold and silver. But as these metals are considered chiefly as *representations*, there can no alteration arise, from their bulk or quantity, their weight or colour, either upon their real value or their interest. (R 48, my italics)

In all these transactions, it is necessary, and reasonable, that a considerable part of the commodities and labour should belong to the merchant, to whom, in a great measure, they are owing. And these commodities he will sometimes preserve in kind, or more commonly convert into money, which is their *common representation*. (R 52, my italics)

But Hume develops two notions of "representation" in his general semantics which he presents in his *Treatise on Human Nature* in the late 1730s. One such notion is based on the relations of ideas to impressions, the other is based on the formation of conventions and language.<sup>61</sup> Frequently, standard accounts of Humean semantics conflate both notions of "representation," but it is important to differentiate them carefully for our purposes.

The first notion of representation arises from the mechanics of impressions slowly fading away into ideas that then enter into a gravity-like associative force field of their own, which is continually being perturbed by new impacts of impressions. "Representation" is Hume's original word to describe that intimate binding between the two ontological domains of his system: ideas and impressions. For "when I shut my eyes and think of my chamber, the ideas I form are exact representations of the impressions I felt" (T 3). More generally, Hume's first major philosophical conclusion is stated in terms of "representation": "all our simple ideas in their first appearance are deriv'd from simple impressions, which are corespondent to them, and which they represent" (T 4). Thus, representation is an ur-relation in Humean philosophy that is presupposed by the field of associative attractions, "which to the mental world will be found to have as extraordinary effects as in the natural" (T 12–13). For an idea's representation of an impression is its original mark of identity before it gets carried off into the flux of association.

"Representation" plays another crucial role in Book I of the *Treatise* in the solution to the problem of abstract ideas. For "abstract ideas are therefore in themselves individual, however they may become general in their representation" (T 20). Here, of course, representation loses the role of being the "birth mark" of ideas and leaps to infinity. For representation makes it possible for one idea to be connected not only to one, but to two, three, or *n* other ideas as the forms of association, resemblance, contiguity, and causation allow. From an ur-relation between ideas and impressions, representation becomes a meta-relation between ideas themselves. In Book I of the *Treatise*, therefore, representation is crucial to Hume's whole "ATTEMPT to introduce experimental reasoning into MORAL SUBJECTS" but it plays something of an extra-systemic role on the upper and lower bounds of his thought, for it mediates ideas and impressions as well as ideas themselves.

Is money, then, an idea that represents commodities in the way that the idea of red represents red impressions or the way the idea of triangle represents the infinite number of ideas of scalene, isosceles, equilateral triangles? Money would then be a vague, distant, and abstract representation of the immediate impressions that the passions of mercantile affairs excite or an even more vague, distant, and abstract idea of mercantile ideas. But money is not an idea at all for Hume. For he explicitly connected the representative capacity of money with the functioning of conventions and language, the second notion of representation, not with the mechanics of impressions and ideas. Textually, we see this in the way that money is dealt with, cursorily, in Book III, while the presentation of impressions by ideas is discussed in Book I of the *Treatise*.

In part ii, section 2 of Book III of the *Treatise*, Hume discussed “the Origin of justice and property” and mentioned money in passing. He argued that before one can define the ideas of property, right, and obligation a certain framework of human coordination must be presupposed. This framework is rooted in convention:

It is only a general sense of common interest; which sense all the members of the society express to one another, and which induces them to regulate their conduct by certain rules. I observe, that it will be for my interest to leave another in the possession of his goods, *provided* he will act in the same manner with regard to me. (T 490)

He then presented his famous example of the two men in a row boat who, without any explicit agreement, regulate the rhythm of their strokes, as being the image of social coordination based upon convention. He continued:

In like manner are languages gradually establish'd by human conventions without any promise. In like manner do gold and silver become the common measures of exchange, and are esteem'd sufficient payment for what is of a hundred times their value. (T 490)

So the great systems of representation—language and money—arise not out of the nexus of ideas-impressions-ideas, but on the mutual, reflexive expectations of human agents. Convention is also an ur-relation in the moral world just as idea-representation is an ur-relation in the mental world, but it arises out of *artifice*, i.e., a response to the *instability* of possession and the *scarcity* of goods. Society is a human invention that solves the problems of instability and scarcity via linguistic and commodity exchanges. Just as in the world of ideas substances seem to be primary (because they seem to unify microdifferences), so too in the moral world it seems that the notions of property and justice ought to come first. But Hume argued that neither view looks carefully enough into the field of microrelations that invest the largely fictional grand entities of these worlds.

Hume’s moderately conventionalist conception of money is most explicitly stated in his 10 July 1769 letter to the author of *Dictionnaire du commerce*, M. Morellet (R 214–15). He takes Morellet to task for his view that “there enters nothing of human convention in the establishment of money” and dismisses the prejudices of metallism as simply confusing a method for prevent counterfeiting for a theory of money! “But, when I take a shilling, I consider it not as a useful metal, but as something which another will take

from me; and the person who shall convert it into metal is, probably, several millions of removes distant" (R 214).

The rest of his argument against Morellet's metallism is strictly empirical, citing the fact that though average British shillings are 20–40% worn, "yet they pass," and pointing out the peculiarities of monetary units throughout history, including the "land money" of Pennsylvania. But then he mentioned, quite crucially for our work, "Our colonies in America, for want of specie, used to coin paper currency; which were not bank notes, because there was no place appointed to give money in exchange; yet this paper currency passed in all payments, by convention . . ." In this case Hume seems to have even gone beyond his more generous views of paper money advanced in the 1764 edition of the *Essay*. He seems to have endorsed, in Berkeleyan fashion, the possibility of a completely nonmetallic, nonconvertible currency and to have definitely dismissed "theoretical metallism." But he did add the following comment on the American use of paper money: "and still might have gone on, had it not been abused by the several assemblies, who issued paper without end, and thereby discredited the currency." Thus the problem with paper currency is not that it violates some deep ontological, representational relation with commodities. It simply arises from the greater possibilities of "abuse" due to its ease in iteration. This tendency to abuse paper currency is not accidentally American and Scottish, i.e., these were societies that are not completely in the orbit of civilization.

On reading this letter one must conclude that Hume was certainly no "theoretical metallist" in 1769, but he still was a metallist. Why? Precisely because he argued that money is conventional! Since paper money was so deeply vulnerable to the quality of an infinity of mutual but dubious (Scottish) promises, Hume was a practical metallist. Ironically, previous metallists argued that because gold, silver, etc. were naturally money, any attempt to use paper in their stead would be "unnatural." Hume argued the converse: just because, by its nature, money is conventional and, so, artificial, the control of and restraint on its issue is directly dependent upon the refinement and civility of its issuers. A people just coming out of a rude and savage state (like the Scottish Highlanders) or a people merging into such a state (like the American colonists), would find it too tempting to abuse such a currency to deal with passing crises, even though its credit was essential to the general health of society.

One of Hume's last letters to Adam Smith on money referred to a "melancholy Situation" that seemed to answer his cautious ontology of money almost perfectly. The letter was dated 27 June 1772, in the midst of the Ayr Bank crisis, which not only engulfed Scotland, but also initiated the first

Scottish commercial crisis that threatened the English banking system, creating something like a monetary 'Forty-Fiver.<sup>62</sup> The Ayr Bank began its meteoric career in Ayr in November 1769 with £150,000 initial capitalization and "branches at Dumfries and Edinburgh, agencies . . . at Glasgow, Inverness, Kelso, Montrose, Campbeltown and other places so that there was an agency or branch in every region of the country."<sup>63</sup> Taking its motto "Pro Bono Publico" literally, it immediately began to issue notes in earnest, so that its paper soon constituted two thirds of the Scottish notes issued while it had a £600,000 debt to London banks by 1772. The results of the unrestrained (and uncivilized) overtrading quickly became evident. Hume described the calamity in staccato prose:

Continual Bankruptcies, universal Loss of Credit, and endless Suspicions. There are but two standing Houses in this place . . . . The Case is little better in London. It is thought, that George Colbroke [head of a London bank and former director of the East India Company] must soon stop; and even the Bank of England is not entirely free from Suspicion.<sup>64</sup>

He ended this breathless paragraph of financial horror by almost taunting Smith with queries: "Do Events any-wise affect your Theory? Or will it occasion the Revisal of any Chapters?" The only good Hume saw coming out of the catastrophe was a "Check given to our exorbitant and ill grounded Credit." Smith, who had developed a theoretical defense of paper money by the 1760s, did not take Hume's suggestion and refused any major revaluation of paper money in *The Wealth of Nations* on the basis of the crisis.<sup>65</sup> But for Hume it must have been a final verification of his fears.

### **Conclusion: Hume's Practical Metallism by Default**

Once the claim that Hume was a theoretical metallist is refuted, we can see that his philosophy of money was much more coherent than it initially appeared. Money and its representative function, for Hume, was not based on a "natural" and necessary representative relation between its precious substance and the glittering world of commodities. On the contrary, money operated on the basis of an ur-structure of mutual conventions that continually tested the reasoning and emotional capacity of the agents involved. There was nothing innately natural about any particular "proportion" between money and commodities. Putting this result in terms of his two immediate predecessors in the philosophy of money, Locke and Berkeley, Hume argued that money

could “excite the industry of mankind” only if it *appeared* to measure and store value . . . *but not too precisely*.

But now we see the practical paradox Hume faced: on the one side, the increase of the money supply of Scotland was essential in accomplishing the all-important task of civilizing the Highlands (and paper money seemed to be the way it was going to be done); but, on the other hand, if this increase in the money supply was to be managed on the basis of paper money without abuse, the “magistrate” must be civilized already! The Scots (especially those outside of Edinburgh) must be civilized in order to use the most effective method for their own civilization. This was Hume’s paradox: to put the control of money in the hands of the uncivilized in order to civilize them would defeat the very intent of his program.

If one accepts this formulation of the problem, then Hume’s solution was to argue that restraint in increasing the money supply could not be expected, if the power lay in the hands of uncivilized Scots. Certainly the task of issuing money could not be left to the new branch banks on the borders of the Highlands, the upstart companies and the Toms, Dicks, and Harrys of the cattle trysts who were poised to let loose a swarm of “Wasp Notes” into the country.<sup>66</sup> Hume advised against the paper route to civilization, not because of an ontological critique of paper money, but rather from a moral critique of the character and motivations of the Scottish bankers and moneymen in the outlying areas who would abuse the currency at the first opportunity.<sup>67</sup> Thus, Hume’s support for practical metallism is conditional on the depth of the money users’ civilization.

Gold and silver money would be the only way to bring restraint to Scotland because its level was determined by the powerful hydraulic system of international trade. Hume had good theoretical reasons to believe that this rejection of paper would not lead post-’Forty-Five Scotland into a monetary depression further aggravating the Highlanders into yet another rebellion. For the opening of the Highlands would increase the area of monetary exchange, while the entrance of so many new “superfluous (Highland) hands” into the Lowlands would make Scottish manufacturers much more competitive than the English. Hence, world money in the form of silver and gold would flow north and guarantee the gradual increase in the money supply and stimulate the civilizing process.

Certainly Hume’s scenario—the avoidance of domestic issuing of nonconvertible paper money in “underdeveloped” economies—has not lost its appeal. After all, the reasoning the International Monetary Fund uses to justify its Structural Adjustment Programs in Africa and Latin America comes directly out of the pages of the *Political Discourses*.<sup>68</sup>

## NOTES

I would like to thank the members of the Kress Seminar on the History of Economics, especially Paul Wendt, for their comments on an earlier version of this paper. I would also like to thank the journal's blind reviewers for their thorough editorial advice and useful suggestions.

1 Walter Scott, *Waverly; or, 'Tis Sixty Years Since*, ed. Claire Lamont (Oxford: Oxford University Press, 1986), 146.

2 See, for example, Karl E. Case and Ray C. Fair, *Principles of Economics*, 5th ed. (Upper Saddle River, N.J.: Prentice Hall, 1999), 854–5.

3 David Hume, *Writings on Economics*, ed. Eugene Rotwein (London: Nelson, 1955). (Hereafter cited as “R” with page numbers inserted parenthetically in the text.)

4 Douglas Vickers, *Studies in the Theory of Money, 1690–1776* (Philadelphia: Chilton, 1959), 31. According to Schumpeter, the term “metallism” has its roots in Georg Knapp's *Die Staatliche Theorie des Geldes* (Leipzig: Duncker and Humblot, 1905). Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), 288. It is somewhat cognate to the previous “bullionism” and later “commodity money theory.”

5 Schumpeter, *History of Economic Analysis*, 288.

6 Schumpeter, *History of Economic Analysis*, 290–1.

7 Locke's definitions of mixed mode and substance ideas can be found in John Locke, *An Essay Concerning Human Understanding*, ed. Peter H. Nidditch (Oxford: Clarendon Press, 1975), 288 and 296 respectively. For a discussion of Locke's contrast between mixed mode and substance ideas and its relevance to the philosophy of money, see C. G. Caffentzis, *Clipped Coins, Abused Words and Civil Government: John Locke's Philosophy of Money* (New York: Autonomedia, 1989).

8 C. G. Caffentzis, *Exciting the Industry of Mankind: George Berkeley's Philosophy of Money* (Dordrecht: Kluwer Academic Press, 2000), 274.

9 David Hume, *A Treatise of Human Nature*, ed. L. A. Selby-Bigge, 2nd ed., revised by P. H. Nidditch (Oxford: Clarendon Press, 1978). (Hereafter referred to as “T” with page numbers inserted parenthetically in the text.)

10 For the reevaluation of Hume among the logical positivists see Alfred Jules Ayer, *Language, Truth and Logic* (New York: Dover, 1952), and for the beginning of his transformation into a minor postmodern saint see Gilles Deleuze, *Empirisme et subjectivité; essai sur la nature humaine selon Hume*, 2nd ed. (Paris: Presses universitaires de France, 1973).

11 Norman Kemp Smith, *The Philosophy of David Hume* (London: Macmillan, 1941), 503. A vast literature has developed since Smith's commentary. A recent summation of the field can be found in *The Cambridge Companion to Hume*, ed. David Fate Norton (Cambridge: Cambridge University Press, 1993), especially Robert J. Fogelin's “Hume's Scepticism,” 90–116.

12 Vickers, *Studies in the Theory of Money*, 223.

13 Karl Marx, *Contribution to a Critique of Political Economy* (Moscow: Progress Publishers, 1970), 164.

14 Marx, *Contributions to a Critique of Political Economy*, 164.

15 *The Letters of David Hume*, ed. J. Y. T. Grieg (Oxford: Clarendon Press, 1969), 1: 136–7.

16 I emphasize “Scots” because Hume considered himself more Scot than British, even though he is frequently termed the greatest of the British empiricists. For example, he writes “we” when referring to the Scots in this paean: “Is it not strange that, at a time when we have lost our princes, our Parliaments, our independent Government, even the Presence of our chief Nobility, are unhappy, in our Accent & Pronunciation, speak a very corrupt Dialect of the Tongue which we make use of; is it not strange, I say, that, in these Circumstances, we shou’d really be the People most distinguish’d for Literature in Europe” (Greig, *Letters*, 255). His diatribes against the “barbarians on the Thames” are well known: cf. Duncan Forbes, *Hume’s Philosophical Politics* (Cambridge: Cambridge University Press, 1975), 189.

17 T. M. Devine, *The Scottish Nation 1700–2000* (New York: Viking, 2000), 4–19. For an acute analysis of the forces that led to the Scottish intelligentsia’s espousal of “free trade” in the context of a mercantilist empire see Michael Fry, “A Commercial Empire: Scotland and British Expansion in the Eighteenth Century,” in *Eighteenth-Century Scotland: New Perspectives*, ed. T. M. Devine and J. R. Young (East Linton: Tuckwell Press, 1999), 57.

18 For recent discussions of the imperial strategies of the Scottish Lowland elite see C. G. Caffentzis, “On the Scottish Origin of ‘Civilization’,” in *Enduring Western Civilization: The Construction of the Concept of Western Civilization and Its “Others,”* ed. Silvia Federici, (Westport, Ct.: Praeger, 1995), 13–36, Eric Richards “Scotland and the Uses of the Atlantic Empire,” in *Strangers within the Realm: Cultural Margins of the First British Empire*, ed. Bernard Bailyn and Philip D. Morgan (Chapel Hill: University of North Carolina Press, 1991), 67–114, and Fry, “A Commercial Empire,” in *Eighteenth-Century Scotland*, ed. Devine and Young, 53–69.

19 Caffentzis in “The Scottish Origin of ‘Civilization’” argues that, in effect, Mansfield attempted to “civilize” English law by making it conform to the Civil Law systematics that the Scottish legal system incorporated from the Calvinist *Institutes*.

20 Richards in “Scotland and the Uses of the Atlantic Empire” has a very interesting account of the incorporation of Scottish personnel into the British state apparatus.

21 Almost all the commentary literature on Hume’s economics recognizes that Hume mixed economic subjects with politics, as James Bonar wrote long ago in *Philosophy and Political Economy* (London: George Allen and Unwin, 1923), 107. But there are no standard texts that pose the development problem of the Scottish Highlands as a major political economic problematic for Hume’s circle.

22 The novelistic narrative of the events is in Walter Scott’s *Waverley*. William Ferguson points out that if another element of the Jacobite uprising had succeeded, viz., the landing in Scotland of 10,000 French troops under Marshal Saxe, the military

story might well have ended differently indeed; see William Ferguson, *Scotland: 1689 to the Present* (New York: Praeger, 1968), 147–8.

23 A classic, though dated discussion of Jacobitism can be found in Sir Charles Petrie's *The Jacobite Movement* (London: Eyre and Spottiswood, 1959). A more recent text that deals with the class complexity of Jacobitism in England is Paul Kleber Monod, *Jacobitism and the English People 1688–1788* (Cambridge: Cambridge University Press, 1989).

24 Although there is no doubt that the Jacobite risings had their center in the Highlands, there is now a growing historical literature distinguishing Highland society *per se* and Jacobite politics. Murray G. H. Pittock is an arch revisionist as shown in his *The Myth of the Jacobite Clans* (Edinburgh: Edinburgh University Press, 1995), where he argues that there was certainly very strong Jacobite support outside the Highlands from 1689 on. This was often not seen in the 'Forty-Fiver perhaps because Charles Edward decided to make all his army (even the French support troops) wear Highland dress (55). Pittock also questions whether the Scotch merchants and tradesmen absolutely rejected the Jacobite uprisings, since many Episcopalians among them did come out in support of Charles Edward's "cause" (82).

25 One must be careful about essentializing the "Highland mode of life," for many elements of it like the kilt and the clan tartan were invented after the 'Forty-Fiver as Hugh Trevor-Roper famously pointed out in his article "The Invention of Tradition: The Highland Tradition of Scotland," in *The Invention of Tradition*, ed. Eric Hobsbawm and Terence Ranger (Cambridge: Cambridge University Press, 1983).

26 The Highlands before 1745 cannot be seen as a purely noncommercial society, however. It too was caught up in a generalized transition to capitalism and resistance to it before the Lowland "modernizers" took control of the process after the 'Forty-Fiver. As Allan I. Macinnes, another revisionist historian, puts it in *Clanship, Commerce and the House of Stuart, 1603–1788* (East Linton: Tuckwell Press, 1996): "Rather than accept historical Whiggish interpretations that Scottish Gaeldom was static socially and underdeveloped economically prior to the last Jacobite rising in 1745, emphasis is placed on the presumption of mobility and the bipartisan spirit of entrepreneurship underscoring the pre-Clearance Highlands. Absentee landlordism, indebtedness, rent-raising and the removal and relocation of clansmen were not products of the 'Forty-Five, but part of an ongoing process of commercialism and cultural assimilation that can be traced back to the early seventeenth century" (x). Lenman in his *The Jacobite Clans of the Great Glen 1650–1784* (London: Methuen, 1984), 148 argues that the "financial straits of certain key local figures [in the Highlands]" was a condition for the 'Forty-Fiver, while Walter Scott in *Rob Roy* makes one of the key elements of the book's plot an attempt to create a financial crisis involving the Highlands in order to instigate a Jacobite rising.

27 For the demographic estimate see Bruce Lenman, *Integration, Enlightenment, and Industrialization: Scotland 1746–1832* (London: Edward Arnold, 1981), 3.

28 A standard biography of David Hume is Ernest Campbell Mossner, *The Life of David Hume* (Oxford: Clarendon Press, 1970).

- 29 David Hume, *A True Account of the Behavior and Conduct of Archibald Stewart, Esq., Lord Provost of Edinburgh, In a Letter to a Friend* (London, 1748), 9.
- 30 Hume, *A True Account*, 22.
- 31 Hume, *A True Account*, 11.
- 32 Ferguson, *Scotland*, 154.
- 33 As Macinnes writes in *Clanship, Commerce and the House of Stuart*: "The immediate aftermath of the 'Forty-Five was marked by systematic state terrorism, characterized by a genocidal intent that verged on ethnic cleansing. . . . The clear intent of the Whig commanders by the time of Culloden was to inflict a crushing defeat on Jacobite clans that would remembered for generations. . . . The first [phase] was the wholesale slaughter not only at Culloden and in the days after the battle, but in succeeding weeks prior to the departure of Cumberland at the outset of summer when he felt that Gaeldom had been finally subjugated. The second was the selective terrorism directed against Jacobite districts. . . . The third was the continuing and deliberate starvation of Jacobite and neighbouring districts through the willful destruction of crops, livestock and property with the stated intention to effect either clearance or death" (212).
- 34 Mossner, *Life of David Hume*, 181. For selections from the texts of the Disarming Act (1746) and the "Act for taking away and abolishing the heritable jurisdiction in that part of Great Britain called Scotland . . ." see *English Historical Documents 1714–1783*, ed. D. B. Horn and Mary Ransome (New York: Oxford University Press, 1957).
- 35 For a general discussion of these stages see T. C. Smout, *A History of the Scottish People 1560–1830* (Suffolk: Collins/Fontana, 1972). Macinnes, in *Clanship, Commerce and the House of Stuart*, writes of this period: "State-sponsored terrorism was to give way to state-sponsored improvement."
- 36 A. J. Youngson, *After the Forty-Five: The Economic Impact on the Scottish Highlands* (Edinburgh: Edinburgh University Press, 1973), 27. Macinnes, in *Clanship: Commerce and the House of Stuart*, presents a more prickly picture of the operation: "In response to a plethora of civilising schemes from unctuous ideologues and unplaced opportunists, the Whig government had decided that 13 forfeited estates of Jacobite chiefs and gentry were to be annexed inalienably to the Crown in 1752. The Annexed Estates were thus created as corridors of improvement that were to be models of planning and management from the southern through the central Highlands with intersections in western and northern districts. At the same time, resistance of clansmen to the forfeiture of their chiefs and leading gentry had been cowed by a final show trial that led to the execution of James Stewart of the Glens for his supposed role as accessory to the murder of Colin Campbell of Glenure—the government factor immortalised as 'the Red Fox' . . ." (217).
- 37 Annette M. Smith, *Jacobite Estates of the Forty-Five* (Edinburgh: John Donald Publishers Ltd., 1982), 20.
- 38 Annette Smith, *Jacobite Estates*, 20.

- 39 For a list of the Commissioners see Annette M. Smith, *Jacobite Estates*, 239–41. The acquaintance Hume had with these commissioners was that they were either correspondents, mentioned in his correspondence, or fellow members of the Select Club or the Philosophical Society of Edinburgh. The “at least” is cautionary here. I believe that with more research many more of Commissioners can be shown to be connected to Hume personally.
- 40 Of the thirty initial Commissioners appointed in 1755, ten were lawyers, the largest occupational block. See John Stuart Shaw, *The Management of Scottish Society 1707–1764* (Edinburgh: John Donald Publishers Ltd., 1983), 78.
- 41 For a discussion of Kames’s activities on the Commission see Ian Simpson Ross, *Lord Kames and the Scotland of His Day* (Oxford: Clarendon Press, 1972), 316–22.
- 42 The stages theory of savagery, barbarism, and civilization developed by the Scottish Enlightenment thinkers was greatly influenced by their juridical training.
- 43 The essays “Of the Original Contract,” “Of Passive Obedience,” and “Of the Coalition of Parties” were added in subsequent editions of the *Essays*.
- 44 Mossner, *The Life of David Hume*, 269.
- 45 For Hume’s experimental philosophy see T 4–6. An historian of the Annexing Act, Annette Smith, in *Jacobite Estates of the Forty-Five* sees in the Board the prime project of “Enlightenment Man” in Scotland who was “forward-looking, far-sighted, excited by an interest in physical and mental experiment and change, and the commissioners and some of those who initiated the Annexing Act were typical of the best of their age” (232). It was, in effect, one of the first governing boards of a public “regional development” corporation.
- 46 Bruce Lenmen, *An Economic History of Modern Scotland, 1660–1976* (Hamden, Ct.: The Shoe String Press, 1977), 91.
- 47 T. M. Devine, *The Scottish Nation. A History 1700–2000* (New York: Viking, 2000), 105.
- 48 Hume himself was not insensitive to the power of this form of life, once it was properly tamed, as his ambivalent role in the “Ossian affair” indicates. See Ernest Campbell Mossner, *The Forgotten Hume* (New York: AMS Press, 1967), 82–102.
- 49 For an interesting discussion of the nature and limits of Hume’s Newtonianism as well as his familiarity with Newton’s emphasis on forces see Peter Jones, *Hume’s Sentiments: Their Ciceronian and French Context* (Edinburgh: Edinburgh University Press, 1982), especially 14.
- 50 Neil Munro, *The History of the Royal Bank of Scotland, 1727–1927* (Edinburgh: R. & R. Clark, Ltd., 1928), 110.
- 51 Munro, *The History of the Royal Bank of Scotland*, 111.
- 52 One reason for this unity of the “public banks” was the competition they were facing from the “private” provincial banks in Glasgow and Aberdeen, according to Charles W. Munn in *The Scottish Provincial Banking Companies 1747–1864* (Edinburgh: John Donald Publishers Ltd., 1981), 11–12.

53 Munro, *The History of the Royal Bank of Scotland*, 120.

54 Munro, *The History of the Royal Bank of Scotland*, 120.

55 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, 1937), 248.

56 Charles Munn, *The Scottish Provincial Banking Companies*, 12, for the quotation and comment. Of course, Munn is referring to the essays in *Political Discourses* that were incorporated into *Essays, Moral, Political, etc.* in the following year.

57 Ernest Campbell Mossner, ed., "New Hume Letters to Lord Elibank, 1748–1776," *Texas Studies in Literature and Language*, (1962), 441. But in the following paragraphs Hume does point out that an increase in the money supply can have a positive effect on industry and in the process can stimulate productivity in manufactures to such an extent that it might actually decrease the price of manufactured goods. Consequently, there cannot be any simple quantity theoretic relation between money supply and prices.

58 Lenman, *An Economic History of Modern Scotland*, 86–100.

59 Munn, *The Scottish Provincial Banking Companies*, 18.

60 Munro, *The History of the Royal Bank of Scotland*, 129.

61 Most commentators on Hume's semantics do not note this tension between the ideational and conventional aspects of significance. They largely hold to the discussion in the first book of the *Treatise* that emphasizes the semantic relation between ideas and impressions. Páll Árdal seems to point in this direction, however, in his "Language and Significance in Hume's *Treatise*," *Canadian Journal of Philosophy* 16 (1986): 779–84. He claims that "there is a difference between giving an account of the way in which we manage to think abstract thoughts although all ideas are of particulars, and the account to be given of the place of language in social life" (783).

62 Munn, *The Scottish Provincial Banking Companies*, 33.

63 Munn, *The Scottish Provincial Banking Companies*, 31.

64 *Letters of David Hume*, 476.

65 For Smith's views in the 1760s see his *Lectures on Justice, Police, Revenue and Arms, delivered in the University of Glasgow, reported by a student in 1763*, ed. Edwin Cannon (New York: Kelley and Millman, 1956), 190–210. He compared the monetary system to a country's material infrastructure in the *Lectures* and argued that the least investment in the system with the same result is to the public good. "Hence the beneficial effects of the erection of banks and paper credit. It is easy to show that the erections of banks is of advantage to the commerce of a country" (191). He also criticized Hume's partiality to specie: "[Mr. Hume] seems, however, to have gone a little into the notion that public opulence consists in money [understood as specie]." Smith, in his chapter on money in the *Wealth of Nations*, continued favoring paper money even though he deals explicitly with the 1764 banking crisis.

66 Munro in *A History of the Royal Bank of Scotland*, 122, describes the “small note mania” of the 1750s in Scotland in the following way: “To such an extent did the use of those trumpety paper promises by individuals of no substance extend, that the Scottish sense of humour found release in printing and distributing parodies of them as squibs. The so-called Wasp Note for ‘One Penny Sterling, or in the Option of the Directors, three Ballads six days after a Demand,’ elegantly printed in Glasgow, with an ornamental border of wasps, the motto ‘We Swarm,’ and the signature of ‘Daniel Mcfunn’ is the best example of those satires.”

67 There was another dilemma Hume and his fellow Enlightenment intellectuals had to face: the generalization of highway robbery that largely had its roots in the mechanics of the cattle trade. Drovers returning from cattle trysts loaded with specie attracted highway robbers, and this situation set the stage for branch banking. As Peter Linebaugh, in *The London Hanged: Crime and Civil Society in the Eighteenth Century* (London: Allen Lane, 1991), 212, pointed out, there was a dialectical relation between the two kinds of expropriators, the bankers and the robbers: “In Scotland, in the first half of the [eighteenth] century drovers dealt at the Crieff and Falkirk cattle trysts largely in gold and silver. After mid-century tents and sheds were erected where tellers from Edinburgh banks provided notes of credit. By the end of the century such banks had corresponding banks in London, if not in Smithfield [the main meat market in London] itself, so that drovers were no longer endangered by carrying large sums of rhino. Such financial safeguards increased the volume of trade and speed of realization.”

68 I have been largely concerned with Hume’s reflections on the forms of money and their differential impact on economic transformation in this paper. I have not invoked Hume’s discourse on the moral and political consequences of the extensive use of money and the expansion of commerce and (commercially-oriented) industry. Money, for Hume, has a moral and political weight; it is not only a spur to industry and the spread of luxury. I plan to deal with this aspect of money in the last volume of my trilogy on the philosophy of money.