

Benjamin Vaughan's Argument for Free Trade and Peace in the Eighteenth Century

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Introduction

This paper examines some of the international implications of *laissez-faire* trade theories shortly after the publication of Adam Smith's *Wealth of Nations* in 1776. The promise of improved international relations and, ultimately, peace between trading partners, was a key component of late eighteenth-century arguments for free trade. In London, for example, Benjamin Vaughan found Smith's coupling of free trade and international harmony useful in describing the changing realities of the British Empire at the end of the century. An often overlooked figure, Vaughan was acquainted with prominent liberal trade theorists of his era, including Adam Smith himself. And he acted as private secretary to Prime Minister Shelburne during the Paris peace negotiations at the end of the American Revolution. It was through his work for Shelburne that Vaughan had the opportunity to apply Smith's theories to political settlements. Vaughan found Smith's thesis that free trade will promote international peace particularly useful in refiguring the relationship between Britain and her former American colonies, and recommended that Britain rebuild her relationship with America by replacing imperial control with cooperation based upon open trade. Five years later, Vaughan promoted these doctrines in his own pamphlet. Published anonymously, *New and Old Principles of Trade Compared* was erroneously credited to several other authors.¹ The recent attribution of

this tract to Vaughan should establish him as an important contributor to the literature of eighteenth-century political economy.

Benjamin Vaughan (1751-1835)

Benjamin Vaughan is an important (though still obscure) figure of the second half of the eighteenth century. His father was a London merchant and West India planter. His mother was the daughter of a Boston merchant and land speculator. Benjamin himself was born on his father's plantation in Jamaica, and then raised in England. Vaughan "early in life...became the trusted young friend of two of the most remarkable men in Britain--Benjamin Franklin and the Earl of Shelburne."² Vaughan's friendship with Franklin seems to have grown rapidly. The two became acquainted during Franklin's stay in England, and when Franklin returned to America in 1775, Vaughan continued a correspondence with him on topics of mutual scientific and political interest. Their friendship was close enough that Vaughan edited the only collection of non-scientific works by Franklin published during the American statesman's lifetime, *Political, Miscellaneous and Philosophical Pieces...Written by Benj. Franklin* (London, 1779).

During this same period, Vaughan became connected with the British statesman, Lord Shelburne, a member of the House of Lords at the time. Shelburne would go on to become Prime Minister at a crucial moment, just as the British came to negotiate the peace settlement with the Americans in 1782-3. Deeply steeped in the theories of Adam Smith, Shelburne modeled many of his political policies around Smith's liberal trade theories and the promise of prosperity and peace which he attached to free trade. The central objective for Shelburne was to forge a new relationship with the Americans: one based not on empire and economic control, but rather on the mutual benefits which could

be obtained through free trade between the two parties. Shelburne met Smith in 1761, was a strong advocate of Smith's *laissez-faire* arguments even before he read *The Wealth of Nations*, and had developed his own political ideas based on Smith's theories of political economy by the time he became Prime Minister in 1782. His proposals and negotiations with the American commissioners in Paris were deeply influenced by his conviction that Britain's whole approach to her American colonies had to change from an antagonistic, controlling vision of empire to one based on the mutual benefits of open, peaceful commerce. When most of his political colleagues insisted on defending older theories of empire which had grown cumbersome and outdated, Shelburne brought forward an innovative vision of a trans-Atlantic trading community. Developed over the preceding decades, this vision eschewed military conquest in favor of strong trade relations between Britain and her former colonies. But during the peace negotiations, it was Vaughan, acting as Shelburne's private secretary, who was actually in Paris, talking to the American commissioners, especially his old friend Benjamin Franklin.

Vaughan's connections with Shelburne and Franklin enabled him to play a key role at certain junctures of the peace negotiations at Paris in 1782-3. "Vaughan assumed the goal of promoting trust between the Americans and Shelburne, a devious man according to his political opponents."³ Vaughan had to convince Franklin that Shelburne would deal in good faith with the Americans. This was a difficult task, but Vaughan was able to persuade his old friend on that score. It is clear that while Vaughan was acting as a minor secretary, and an unofficial one at that, already by this point in the negotiations he had come to occupy a role of central importance. Shelburne relayed assurances to Franklin via Vaughan, and had Vaughan sound out Franklin on a host of related issues.

Vaughan's early commercial writings

Now, we know that by the time of the peace negotiations, Vaughan himself had already come to embrace the principles of free trade as established in Adam Smith's *Wealth of Nations*. Vaughan had read Smith's important work, and had met Smith himself in 1780/81. In his letters to Shelburne leading up to the peace treaty, it is clear that Vaughan's opinions on the new relationship between Britain and her wayward colonies were strongly influenced by Smith's ideas. Vaughan suggested that commercial controls exerted by Britain over the North American colonies could no longer work. In fact, he claimed, absolutely free, unrestricted trade was the solution. He had an almost unwavering faith that all nations would benefit mutually from free and open trade. In particular, America and Britain could trade to reciprocal advantage on the international market. So, like Shelburne, Vaughan was working on a new way of conceptualizing Britain's new relationship with America. It was to be a relationship based not on military might and economic control, as in the past, but rather one based on peace and mutually beneficial open trade.

Vaughan's notes during this period, and the sketches for speeches which Vaughan provided to Shelburne show that he was struggling to put together a coherent, defensible theory which would uphold the liberal principles of the peace treaty with America. His writings on economic theory and policy reveal Vaughan's familiarity with the major writers on these topics, and we find him beginning to formulate a full theory of liberal trade doctrines in his own writings.⁴

Vaughan's major contribution to commercial theory

So we see both Vaughan and Shelburne struggling in the early 1780s to create a clear cosmopolitan vision of an Atlantic community which might be built between America and Britain; a new relationship based not on martial force and economic manipulation, but rather upon open and free trade. In 1782-3, Shelburne came close to realizing in political form the ideal of a transatlantic trading community. But almost as soon as America's independence had been formally acknowledged by the British, concerns of national security began to obscure that sort of optimistic view on both sides of the Atlantic. In London, Shelburne was criticized by his political opponents for having given away too much to the Americans. He resigned in February of 1783, as his peace agreement was being censured in Parliament. Politicians in both Britain and America turned to arguments of reason of state to defend protectionist commercial regulations against each other. Only a truly cosmopolitan thinker like Benjamin Vaughan, unfettered by concerns of short-term national security, could hold on to an expansive plan for a mutually beneficial system of free trade and peace in the Atlantic.

Indeed, Vaughan went on to carry the vision of free trade perhaps to its most optimistic heights in the eighteenth century. In 1788, he released his remarkable contribution to political economy, titled, *New and Old Principles of Trade Compared; or a Treatise on the Principles of Commerce Between Nations* (London, 1788). This bold statement of liberal commercial theory was dedicated to Shelburne, "as a sincere and respectful tribute due to the liberality of his lordship's public principles and the importance of his public services." The piece was reviewed in the *Critical Review* as a thoroughgoing defense of Smithian free trade theory. In his *New and Old Principles*,

Vaughan set the “old” principles of mercantilism and commercial control up against the “new” system of free trade, which he promoted as not only more economically sound, but also as the surest way towards international stability and peace.

We should pause here to consider precisely why Vaughan should claim that a commercial relationship between sovereign nations, based on Smith’s principles, would promote peace in the first place. Vaughan stands as a strong example of what Albert Hirschman has called a *doux commerce* theorist. From the late seventeenth century on, we find examples of commerce being labeled *douceur*, a French term that conveyed “sweetness, softness, calm, and gentleness and [was] the antonym of violence.”⁵ The French philosopher, Montesquieu, was the most influential proponent of what we now call the *doux commerce* thesis. *Commerce* in French could also mean social intercourse between people. So the term *doux commerce* “carried into its ‘commercial’ career an overload of meaning that denoted politeness, polished manners, and socially useful behavior in general.”⁶

In England the essence of *doux commerce* was translated as the “calm desire of wealth.”⁷ But if commerce had a calming effect on manners, it was nonetheless a very powerful effect. The supposedly tranquil passion of avarice was also a powerful and lifelong one which could do battle successfully with the more destructive, violent passions. As Smith famously suggested, the desire of bettering one’s condition is “a desire which, though generally calm and dispassionate, comes with us from the womb and never leaves us till we go into the grave.”⁸

Now, when theorists like Montesquieu applied this thesis to international relations, some interesting conclusions were drawn. While seventeenth-century theorists

such as Sir Joshua Child and the mercantilist minister Colbert described international trade as “perpetual combat” and “a kind of warfare,” the *doux commerce* thesis led eighteenth-century theorists like Montesquieu to conclude that, “the natural effect of commerce is to lead to peace. Two nations that trade together become mutually dependent: if one has an interest in buying, the other has an interest in selling; and all unions are based on mutual needs.” And Jean-Francois Melon, a close friend of Montesquieu, made the revealing claim that, “the spirit of conquest and the spirit of commerce are mutually exclusive in a nation.”⁹

Doux commerce language in Vaughan’s New and Old Principles of Trade

Vaughan, too, made good use of the persuasive language of *doux commerce*. He made various claims for the argument that besides the commercial benefits of free trade, a country embracing the “new,” “liberal” system stood to benefit from a variety of non-material advantages, or what Hirschman calls an “external economy.”¹⁰ In particular, commerce was supposed to have a softening effect upon social manners and international political relationships. In his introductory discussion of the roots of liberal political economy, Vaughan suggested how free trade could improve social sensibility around the globe. He praised the French writers on economics, who had “long abounded in eloquent lessons of philanthropy, which have sensibly affected the way of thinking of European authors, and consequently must sooner or later influence the manners of the western world, and thence of all the earth.”¹¹ Thus the open market generates not only material wealth, but, as a by-product, a globalization of Hirschman’s “...more polished human type – more honest, reliable, orderly, and disciplined, as well as more friendly and

helpful, ever ready to find solutions to conflicts and a middle ground for opposed opinions.”¹²

There was a clear connection in Vaughan’s mind between free trade and peace on the one hand, and between monopoly and war on the other. He suggested, for example, that “peace [is] the best friend both of commerce and mankind,” while the “system of monopoly” was linked with “animosity and bloodshed.”¹³ The dichotomy here is quite distinct:

...[I]t has certainly been the *actual*, property of the narrow [i.e. mercantilist] system, to be devoted to wars of conquest and offence: while one of the chief ...objects of the free-trade system...is to extinguish such wars, and to encourage such principles ... in mankind ... as shall lessen the frequency of ... wars of self-defense. There is scarcely one writer on *free-trade*, at the present day, who does not make this pacific turn... . On the other hand, there has been scarcely one of our latter ruptures with ... other nations, which has not ... originated from systems of trade or colonization founded in *monopoly*. In short, estrangement and jealousy, violence and revenge, by whatever cause they are set in motion, tend to war; while liberal intercourse and exchange seem to make the corner-stones of peace and concord.¹⁴

Vaughan was clear that the “unsocial,” wrong-headed policies of the monopoly system always lead to jealousy, retaliation, and eventually war.¹⁵

Vaughan was not so naïve as to imagine that wars would be completely eliminated in the Atlantic world, even in a situation of free and open international trade. But he suggested that the logic of the “easy system” (or free trade) might induce “states reciprocally to allow a mutual freedom to commerce during the very period of hostility.”¹⁶ It was clearly his belief that commerce, even between belligerent neighbors, would always meliorate what Hirschman describes as the “disaster-bound addiction to heroic antics,” a hold-over from the precapitalistic age.¹⁷ Vaughan concluded that, “if commercial ideas of a proper kind could by any means be introduced among turbulent

and martial neighbors, they would clearly contribute to soften and dispose them to tranquility.”¹⁸

From this rich discourse, Vaughan deduced several unabashedly cosmopolitan conclusions. In clear contradiction to mercantilist policy, he suggested that nations should view commerce as a positive means of enriching themselves, rather than as a potential weapon against their neighbors. It was the “passions” of the “patriot minds” which could not see past narrow national advantage to the larger conclusion that open and free trade was mutually advantageous to all involved.¹⁹

At the end of his piece, Vaughan concluded by once again expanding upon his claims for free trade in the strongest terms possible. He used the various discourses at his disposal to push the argument for free trade into an international, cosmopolitan vision of humanity, where national boundaries would be ignored in favor of the universal benevolence which would be achieved through pursuing a global system of mutually beneficial commerce. The new “liberal system,” wrote Vaughan, “is the more to be prayed for on account of the benefit that may result to humanity at large, were free-trading and pacific systems more generally prevailing. Nations might then no longer view each other as strangers and as rivals....”²⁰

And Vaughan drew his essay to a close with a quote from David Hume’s essay, “On the Jealousy of Trade”: “I shall therefore venture to acknowledge that not only as a man, but as a British subject, I pray for the flourishing commerce of Germany, Spain, Italy, and even *France itself*.”²¹ It must have been a strong cosmopolitan conviction, indeed, that would compel him to extend good wishes even to the French!

Intriguingly, this is precisely the quote from Hume which Anthony Pagden uses to exemplify the fulfillment of the early modern move from conquest to commerce, the step into modernity. Pagden uses Hume's apt quote to defend his assertion that in the modern world, "commerce replaces conquest; conversation and the voluntary exchange of goods are substituted for war."²² As opposed to the ancient, conquering societies, which typically consumed themselves in the destruction which they unleashed, modern societies "pursued commercial objectives. It was clearly in their interests...not to conquer their neighbours, but to ensure their prosperity, for in a commercial world the prosperity of one nation led inevitably to the prosperity of all others."²³ But Pagden suggests that there is something else here. Commerce, by this argument, had become "far more than the simple exchange of commodities." Commerce engenders communication, and leads not only to the cessation of international wars, but to "a deeper human awareness of the identity and singularity of others." It would lead to a global fraternity. In short, commerce had come to be seen as "the expression at a national and international level of the reciprocity which held individuals together as members of a single family."²⁴ The implications of this sort of thinking on the structure of empire are radical. As various thinkers at the end of the century recognized, "the only kind of international political order that would allow the market to exercise its natural benevolence was one in which empires had been transmuted into international federations of states, united, not politically or militarily, but by common cultural ties and economic interests."²⁵ This amounts to the replacement of empires by free trade associations, a process of depoliticization. The only ties envisioned between nations would be economic and cultural, *not* political. As Pagden suggests, it was clear to some that "...this

transformation could be achieved only within a new commercial system in which empires would be replaced by free-trade associations between independent nation-states, and the calculation of the benefits to be gained by each party would replace the vain pursuit of honour and glory....”²⁶

In his attempt to restructure international relationships between nations along the lines of his non-political, commercial, cosmopolitan vision, Vaughan emerges as an example of one of Pagden’s modern voices in the eighteenth century. With its absolute adherence to Smith’s free trade doctrine, and especially in its insistence on a clear connection between a *laissez-faire* trade policy and international peace, the *New and Old Principles* is unsurpassed. In the end, Vaughan stands as one of the most optimistic proponents of the pacifying, harmonizing effects of global free trade prior to the French Revolution.

Endnotes

¹ Benjamin Vaughan, *New and Old Principles of Trade compared; or a treatise on the principles of commerce between nations* (London: printed for J. Johnson and J. Debrett, 1788).

² Craig C. Murray, *Benjamin Vaughan (1751-1835), the Life of an Anglo-American Intellectual* (New York: Arno Press, 1982), p. 17. The following biographical material is taken from Murray's work, and also from John Alger, *Englishmen in the French Revolution* (London, 1889), pp. 89-97; and from George S. Rowell, "Benjamin Vaughan –Patriot, Scholar, Diplomat," in *The Magazine of History* (New York: William Abbatt), vol. xxii, March, 1916, pp. 43-57.

³ Murray, p. 77.

⁴ For example, on October 11 of 1782, Vaughan wrote to Shelburne in a tone of optimism. He suggested that even if a policy of free trade should produce a short-term advantage to the Americans, the effects would soon be equalized: "If they [the Americans] have advantage, therefore, at first, the scale will at last balance to us, producing to us by much the most advantage." (Benjamin Vaughan to Shelburne, Oct. 11, 1782, *Transactions of the Massachusetts Historical Society*, 2 ser. XVII, June, 1903, p. 416) Vaughan was confident that through free trade *both* countries could benefit. The two nations, he reasoned, are blessed providentially with complimentary attributes. If each pursued its own talents and natural situation, both nations would benefit. Vaughan went on to explain that navigation is natural to Britain, bounded as it is on all sides by water. He argued that the Americans were better suited by their geography for agriculture: "Let the navigation then still be left to nature, which has hitherto so well served us." (B.V. to S., Oct. 11, 1782, *Transactions of the Massachusetts Historical Society*, 2 ser. XVII, June, 1903, p. 417) In his plea to leave navigation to "nature," Vaughan was suggesting that it would be detrimental to Britain to continue putting up protectionist trade restrictions against the Americans. While designed to protect Britain, these misguided policies would actually hamper its trade. Navigation laws would simply drive America to trade with other nations: "If America doubts, she will then look to other people, and I am free to say that this is almost the only moment, that either cures our wounds or leaves them open; that keeps America to ourselves or leaves her to become neutral, or to side with France." And, in a prophetic remark, he concluded that, "If you make navigation laws against the Americans, the Americans will do the same against you." (B.V. to S., Oct. 11, 1782, *Transactions of the Massachusetts Historical Society*, 2 ser. XVII, June, 1903, p. 418) In a letter of October 29, 1782, Vaughan again urged reciprocal trading rights and free ports in England: "Free ports will render England the waiting place and mart of the whole connection, make her the centre of this carrying trade, and give her merchants the first chance of all speculations in the way both of export and import." (B.V. to S., Oct. 11, 1782, *Transactions of the Massachusetts Historical Society*, 2 ser. XVII, June, 1903, p. 419)

⁵ Albert O. Hirschman, *The Passions and Interests* (Princeton University Press, 1977), p. 59.

⁶ Hirschman, *The Passions and the Interests*, p. 62.

⁷ Hirschman, *The Passions and the Interests*, p. 65.

⁸ Hirschman, *The Passions and the Interests*, p. 66.

⁹ Hirschman, *The Passions and the Interests*, p. 80.

¹⁰ Albert O. Hirschman, *Rival Views of Market Society and Other Recent Essays* (New York: Viking, 1986), p. 109.

¹¹ Vaughan, p. 566.

¹² Hirschman, *Rival Views*, p. 109.

¹³ Vaughan, pp. 569 and 574, respectively.

¹⁴ Vaughan, p. 574, note.

¹⁵ Vaughan, p. 587.

¹⁶ Vaughan, p. 586.

¹⁷ Hirschman, *Rival Views*, p. 127.

¹⁸ Vaughan, p. 587.

¹⁹ Vaughan, pp. 576-577.

²⁰ Vaughan, p. 608.

²¹ Vaughan, p. 609. Hume was making the same argument as Vaughan here, but from the opposite angle. He wanted to show what would happen if self-protective trade restrictions worked perfectly in undermining the economies of rival nations. He suggested that trade restrictions which aimed to harm the economies of foreign nations were in fact self-destructive: “Were our narrow and malignant politics to meet with success, we should reduce all our neighboring nations to the same state of sloth and ignorance that prevails in Morocco and the coast of Barbary. But what would be the consequence? They could send us no commodities: They could take none from us: Our domestic commerce itself would languish for want of emulation, example, and instruction: And we ourselves should soon fall into the same abject condition, to which we had reduced them.” (Hume, *Essays Moral, Political, and Literary*, ed. Eugene Miller (Indianapolis: Liberty Classics, 1987), p. 331).

²² Anthony Pagden, *Lords of All the World* (New Haven: Yale University Press, 1995), p. 179.

²³ Pagden, p. 180.

²⁴ Pagden, p. 180.

²⁵ Pagden, p. 186.

²⁶ Pagden, p. 186.