

Scholars debated the formation of the concept of capital. After François Quesnay started using the concept of *avances* or advances as the precedent of capital,<sup>1</sup> Anne Robert Jacque Turgot and Adam Smith adopted the idea of capital as their main economic framework. Scholars then examined how Quesnay contributed to Turogot,<sup>2</sup> and Smith,<sup>3</sup> while some noted the difference between Quesnay and Smith<sup>4</sup>, and Turgot's uniqueness.<sup>5</sup> Turgot's view of capital was not an epigon of Quesnay and was impacted by John Locke, Richard Cantillon, and David Hume.<sup>6</sup>

Some paid attention to the unique view of capital in Smith. Whereas Smith could not read physiocrats' writings before he visited France in 1764,<sup>7</sup> and, in *Lectures on Jurisprudence*, he did not explain the relationship between capital accumulation and

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<sup>1</sup> Meek 1962; Groenewegen 2002

<sup>2</sup> Meek 1973

<sup>3</sup> Spengler [1945] 1991

<sup>4</sup> Meek [1951] 1991

<sup>5</sup> Böhm-Bawerk 1890; Cassel 1903; Vissol 1982; Groenewegen 1983; Morilhat 1988; Faccarello 1990; Schumpeter 1994; Goutte and Klotz 2015; Faccarello 2016

<sup>6</sup> Groenewegen 1971

<sup>7</sup> Ross, [1984] 1991

economic growth,<sup>8</sup> (especially after his visited France) Turgot influenced Smith,<sup>9</sup> and Turgot's writings were not indispensable for Smith.<sup>10</sup> Smith differed from Turgot in the explanation of capital.<sup>11</sup>

Accordingly, despite their shared attention to capital (or advances), their conception of it differed. We can wonder here why they had a common interest in capital and what they intended to do in adopting the concept. One of its reasons was that all of them doubted on what I call the monetary approach to wealth; or the viewpoint which saw the change of the quantity or quality of money as influencing wealth. While John Law's system tried to provide much more paper money than existed to supply the monetary deficiency in France, the French government in the eighteenth century sometimes adopted the augmentation of money, by which the nominal value of a currency was augmented, so the real value of it was decreased, increasing money supply and inflation. Despite the differences between Law's system and the governmental measures in currency, they supposed that monetary manipulation could affect the real economy. After John Law, one of the most famous advocates of this view was Jean-François Melon,

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<sup>8</sup> Eltis [1988] 1991

<sup>9</sup> Lundberg 1964; Viner 1965; Gallais-Hamonno 1982

<sup>10</sup> Groenewegen 1968; Hutchison 1982

<sup>11</sup> Cartelier 2002, 2003

a secretary to Law (Bouzinac [1906] 1970, 26). His work titled *Essai politique sur le commerce* (1734) became popular, and Mauvertuis, Voltaire, and Diderot commented on him, although Dupont de Nemours, a physiocrat was critical of him (Bouzinac [1906] 1970, 16-17). Understanding this monetary approach was essential for seeing why they were concerned with capital.<sup>12</sup> As this essay argues, while their criticism of the monetary approach was connected with their interest in capital (or advances), their difference in monetary view was relevant to their variety in the idea of capital. This helps us to understand how Smith linked monetary consideration with capital.

In this regard, scholars, indeed, have examined Smith's monetary view<sup>13</sup> and his opinion on capital.<sup>14</sup> These studies, however, did not fully investigate how Smith linked monetary consideration with capital. This was significant for seeing why Smith extensively used the concept of capital. Indeed, before Smith, Quesnay, and Turgot adopted the idea of *avances* or capital, William Petty and Richard Cantillon contributed

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<sup>12</sup> Scholars also paid attention to how Cantillon contributed to the physiocratic idea of monetary circulation (Bauer [1895] 1991; Bloomfield [1938] 1991).

<sup>13</sup> Mints 1945; Vickers 1959, 1975; Petrella 1968; Humphrey 1981; Laidler 1981; Levy 1987; santiago-Valiente 1988; Perlman 1989; Selgin 1989; Gherity 1993, 1994; West 1997; Paganelli 2003, 2006, 2011, 2016; Arnon 2011; Rockoff 2011, 2013

<sup>14</sup> Barkai 1969; Hollander 1973; Bowley 1975; Eltis 1975, 1984; Rosenberg 1975; Anspach 1976; O'Donnel 1990; Aspromourgos, 1996, 2009

to the creation of the concept.<sup>15</sup> Economic writers before Smith did not use the idea so substantially except for a few authors. It was uncommon for writers in Smith's age to consider economy centering on capital. Accordingly, the adoption of the concept of capital by Smith (and Turgot) was intentional. We can call into question why Smith did so. But, then, we can realize that in considering capital, Smith also tended to mention money. Monetary consideration was intimately connected with capital.

Considering their similarities and differences in monetary opinion enables us to understand the implications of capital. When Smith used the idea of capital, he was critical of the monetary approach, and intended to suggest some critical stance on it.

The next section examines how Quesnay's view of advances was relevant to monetary economy, while the third section elucidates Turgot's monetary consideration behind his idea of capital. The following section investigates how Smith came to grasp monetary economy before *The Wealth of Nations* (hereafter *WN*). The final section elucidates the monetary background of capital in Smith.

## **1. Quesnay**

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<sup>15</sup> Aspromourgos 1996, 104.

Quesnay's formation of the idea of advances (*avances*) hinges on his criticism of the monetary approach.

Before Quesnay wrote his first version of *Tableau Économique* in late 1758,<sup>16</sup> he wrote his *Encyclopédie* articles.<sup>17</sup> Quesnay then already mentioned money. In its article "Fermiers", Quesnay distinguished commerce from agriculture. Although he emphasized agriculture as the essence of the economy, he supposed that agricultural entrepreneurs or farmers suffered from some inconvenience. While commercial entrepreneurs could borrow money or get credit to purchase goods, farmers could not do so. For, whereas the former could return their funds and profits in the short term and repay the debt soon, the latter could gain only profits, and were forced to maintain the amount of the funds as before. Accordingly, farmers should have sufficient funds to supply their needs (Quesnay 1958, 447-448). It suggests that although Quesnay here did not establish his distinction between annual advances (*avances annuelles*) and original advances (*avances primitives*) in *Tableau*, he understood the necessity of advances as a prerequisite for production. Because farmers could not rely on monetary borrowing, they were forced to have advances before production. It was because of this inability to depend on monetary credit

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<sup>16</sup> For the recent reevaluation of the formation of Quesnay's *Tableau*, see Charles 2023.

<sup>17</sup> For the relationship between the articles and *Tableau*, see Charles 2000.

that farmers needed advances. Accordingly, it was because of this inability that Quesnay recognized the necessity of advances in production.

In the *Encyclopédie* article "Grains", Quesnay expressed his more critical stance on the monetary approach to wealth. He distinguished "richesses reelles" or real riches with "richesses pécuniaires" or monetary wealth. Real wealth was something people could satisfy their desires and enjoyments in their living. Buyers purchased agricultural goods as real riches, while the sellers of the goods got money, the money that was necessary for paying rent, wages, and their necessities. Quesnay saw this monetary wealth as inappropriate for evaluating a nation's wealth because it was the amount of agricultural goods and their values that stipulates the quantity of money and its velocity. The quantity of money does not indicate the degree of real wealth. In Spain, for instance, its mines in Peru were full of silver, but it still suffered from a shortage of necessities (Quesnay 1958, 500-501). Quesnay criticized money as imaginary wealth, enabling him to distinguish it from real, agricultural wealth.

When Quesnay doubted the monetary approach, he was critical of silver as indicating wealth. Quesnay was not a bullionist, who saw precious metals as essential for a nation. On the contrary, he admitted that paper money replaces precious metals. He referred to England, which maintained its wealth based on real ones. Paper money

representing money there had value assured by foreign trade and land revenues. Because the quantity of money in a nation did not indicate its real wealth, the prohibition of exporting precious metals was unnecessary (Quesnay 1958, 501).

When, in his *Tableau*, Quesnay developed his idea of advances, he also criticized monetary economy. In his comment on the *Tableau* ("Extrait des économies royales de M. de Sully") in 1759, he argued what the sources of wealth were for a state. Based on his political stance, which prefers agricultural to commercial nation (Hochstrasser 2006, 424), and aims at wealth and power (Cartelier 2002, 55; Steiner 2002, 100; Cartelir 2004, 130), he insisted that a state should not rely on financiers to finance because their fortunes were monetary and had no mother country. On the contrary, it ought to depend on the prosperity of a nation to finance (Quesnay 1958, 672). This argument presupposed that monetary wealth was transnational and its holders could easily switch money from country to country. One of the reasons why Quesnay criticized monetary wealth was the transnational character of money. On the other hand, people could not shift their agricultural advances from country to country. The real wealth for Quesnay was agricultural ones with abundant advances or capital. This accumulation of agricultural capital was stable because it could not move its country quickly.

In other comment on *Tableau* ("Explication du Tableau Économique") in 1759, he

also linked his criticism of monetary economy with politics. Quesnay insisted that because of the repetition of wars by the French government, it suffered from excessive debts. This was not because of the deficits of money but because of the difference between revenues and expenses. If (because of agriculture) wealth reproduces without decrease, the amount of money in a country could not decrease. However, the augmentation of money did not increase the real amount of money (Quesnay 1958, 680-681). Quesnay here criticized the augmentation, which Melon admired. For Melon, in case of a shortage of currency, its augmentation was proper. It could bring about inflation, resulting in a decrease in public debt (Melon 1736, Chaps. 13-14). When Quesnay refuted this opinion, he was critical of the monetary approach, by which monetary manipulation by government was seen as leading to the prosperity of a state and society. As I argued, Quesnay emphasized the importance of real wealth as agriculture compared with this imaginary wealth. He then saw advances as essential for wealth. It suggests that the criticism of the monetary approach was relevant to his formation of the idea of advances. For Quesnay, the idea of advances was agricultural because it included doubt about the approach.

## **2. Turgot**



Although Quesnay influenced Turgot's development of the idea of capital, he generalized Quesnay's concept of advances (Groenewegen 1971, 338; Meek 1973, 55; Faccarello 2016), and theorized it (Schumpeter 1994, 185; Vissol 1982, 47), he still differed from Quesnay. For he divided what Quesnay called "la class stérile" or sterile class into the owners of capital and simple artisans (Morilhat 1988, 154), and developed the analysis of capital demand (Groenewegen 2002, 307). Turgot's theory of capital includes the opprobrium of monetary economy.

Even before Quesnay influenced Turgot, Turgot had refuted monetary economy. Turgot was said to be influenced by Vincent de Gournay, and gave comments on Gournay's translation of Josiah Child's work in "Remarque sur les notes qui accompagnent la traduction de Child." (1753-54)<sup>18</sup> He then qualified Child's view that the high interest rate caused the economy's decline. Turgot regarded the high rate as increasing people's fortunes, increasing demand. However, because this high rate causes the accumulation of fortunes by a small number of people, it provides some ways of enrichment without work (Turgot 1913-1923, t. 1, 373). Moreover, it suggests that Turgot

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<sup>18</sup> On this point, please refer to Gustave Schelle's comments in Turgot, t. 1, 65. See also Tsuda 1993.

rebuked the ways of property acquisition by financial transactions, and was critical of monetary economy.

In his "Plan d'un ouvrage sur le commerce, la circulation, et l'intérêt de l'argent, la richesse des états," Turgot also found fault with monetary economy. He pointed out that credit had its limits, and that John Law's system was erroneous (Turgot 1913-1923, t. 1, 377). Although it was unclear at what point Turgot denounced Law's system, it could be supposed that Turgot thought that Law's system tried to provide virtually limitless credit to the economy to boom it. Turgot thought of the system as something other than workable.

Turgot then did not suppose that the quantity of money in one country represented its real wealth. On the contrary, he contended that the wealth of a nation could be represented by the number of people, their employment, and their subsistence. A country with abundant money was forced to buy commodities, and producing useful goods was the cause of wealth (Turgot 1913-1923, t. 1, 377). Like Quesnay, Turgot was critical of monetary economy. On this stage, however, Turgot still did not see agriculture as the sole source of wealth. Turgot and Quesnay, before the latter's impact on the former, shared their doubt on the monetary approach. This explains one of the reasons why Turgot accepted Quesnay's ideas.

In his "Réflexions sur la formation et la distribution des richesses" (1766), Turgot

developed the idea of capital, which was relevant to monetary consideration. Basically, Turgot saw money as a commodity, so he explained the formation of money from a barter economy (Turgot 1913-1923, t. 2, 551-561). Although, before the establishment of money, people could accumulate mobile property such as furniture, houses, dishes, stocked goods, instruments, and live stocks, after the invention of money, people tried to accumulate money because it was the most difficult to be rotten and was the easiest to hoard (Turgot 1913-1923, t. 2, 562-563). Because all labor, including agriculture, commerce, and manufacture, required advances beforehand, by having advances, people could produce goods abundantly (Turgot 1913-1923, t. 2, 563-564). Although the land was the sole source of the real wealth, people tried to accumulate money after its invention. By saving it, they could increase it (Turgot 1913-1923, t. 2, 567). Unlike Quesnay and Smith, Turgot directly connected the formation of money with that of capital. For Turgot, capital required monetary accumulation.

This also reflects Turgot's categorization of capital. For Turgot, there were five employments of capital; first, the purchase of land; second, the investment of money for agricultural companies; third, the investment of money for manufacturing companies; fourth, the investment of money for commercial companies; fifth, the lending of money (Turgot 1913-1923, t. 2, 589). Turgot supposed that all kinds of capital were based on

money, unlike Quesnay and Smith, who admitted that capital was not necessarily money but was goods.

This does not mean that Turgot supported monetary economy. On the contrary, like Quesnay, Turgot insisted that the actual revenue was derived only from land (or agriculture), so the interest of money comes from this source (Turgot 1913-1923, t. 2, 599). Money itself was not capital, and money as transformed to capital only could be useful (Turgot 1913-1923, t. 2, 601). Accordingly, Turgot continued to be critical of the monetary approach, by which financial transactions were seen as profitable. Turgot found fault with Law's system in this sense.

Turgot, nonetheless, admitted some monetary activities. In "Mémoire sur les prêts d'argent" (1770), Turgot contended that law against usury was harmful to commerce and introduced loan sharks (Turgot 1913-1923, t. 3, 163). Turgot supported lending money by interest, the behavior that was necessary for economy. This means that Turgot recognized the importance of money and finance in the economy, though he remained critical of money as the sources of wealth.

### **3. Smith before *WN***

Before the publication of *WN*, Smith had already developed some idea of money, an idea that was relevant to his later development of the concept of capital.

As I argued, Quesnay and Turgot shared their doubt about the monetary approach. In Smith's essay "Thoughts concerning banks, and the paper-currency of Scotland" (1763), which Gherity supposed was Smith's writings, Smith was also critical of the monetary approach. This essay was written before Smith read Quesnay and Turgot. Before their impact, Smith shared their critical stance on the approach. On scholars' debate on the effects of Turgot on Smith (Lundberg 1964; Viner 1965), the document was said to show that Turgot did not seem to influence Smith so much on this point (Gherity 1993, 270; see also, Groenewegen 1968; Hutchison 1982). Although Quesnay and physiocrats affected Smith (Spengler [1945] 1991; Meek [1951] 1991; Hutchison 1988), before their impact, Smith had the common denunciation of monetary phenomena with them.

This denunciation had a new dimension. The "Thoughts" was written during the Scottish banking troubles of 1762, in which Scotland suffered from the "adverse exchange and...the drain of specie" (Hamilton 1953, 351). One of its reasons was that Scottish banks' "attempt to build an extensive credit system on an inadequate cash basis" (Hamilton 1953, 349). As Smith argued, although the Bank of England issued paper money successfully, paper money "is liable to abuse. The profitable purposes of its

institution may, by ignorance or bad intention, be perverted to the general prejudice. Paper-money may grow beyond the due proportion it ought to bear to the specie of a country " (Gherity 1993, 275-276). Smith then condemned the optional clause by which a bank could defer the payment of notes after the demand of six months. Smith saw this as "an abuse lately crept into this country" (Gherity 1993, 278). Although, accordingly, Smith shared the doubt about the monetary approach, by which the monetary manipulation was said to lead to prosperity, he also added new dimension to that criticism such as the optional clause problem.

In his *Lectures on Jurisprudence (LJ (A))* delivered on April 7th and 8th, 1763, Smith also considered both merit and demerit of monetary phenomena. On the one hand, Smith admitted that money was essential for the advancement of the economy. Like Turgot, Smith explained the formation of money from a barter economy. Basically, Smith saw money as the measurement of value and the instrument of exchange (Smith 1976a, vi. 97-101). Because money contributed to exchange, every developed nation used it (Smith 1976a, vi. 117). Due to its utility, government issued currency (Smith 1976a, vi. 114). The augmentation of currency decreased public debt, and government sometimes was induced to debase it. Smith insisted that this manipulation was harmful to commerce. Although the advantages of money were to evaluate goods clearly and to provide a

medium of exchange, this manipulation decreased the advantages. It also meant that the holders of public debt was deceived into decreasing their real value of it (Smith 1976a, vi. 118-120).

This refutes Melon's opinion. For Melon, augmentation of money could reduce the real value of debt, so it was useful. By this manipulation, the government could reduce the amount of public debt in reality, and other debtors also could decrease their debt. In addition, though the augmentation could raise prices, sellers could gain the benefit from this high price (Melon 1736, Chap. 12. 17). Smith reprobated this kind of opinion which preferred monetary manipulation, the reprobation that Quesnay and Turgot shared with.

Furthermore, in his *An Early Draft of Part of the Wealth of Nations*, which date could go back to 1759, the chapter IV titled "Of money, it's natural, origin, and history, considered first as the measure of value, and secondly as the instrument of commerce" (Smith 1976a, 567) also considered the functions of money as the measure of value and the instrument of exchange. He then wrote, "the notion that national opulence consisted in or depended upon money, joined to another false notion that the value put upon the precious metals was a matter of institution and agreement, gave occasion to the famous system of Mr. Law. That gentleman imagined that by proper measures the inhabitants of a particular country might gradually be induced to affix the idea of a certain value to a

certain paper currency" (Smith 1976a, 570). As this suggests, Smith refuted the monetary approach to wealth here. Furthermore, he also rebuked "the current and pernicious opinion that we can never hurt ourselves by any expence incurred at home." It was to refute this opinion that Smith referred to the idea of stock. He wrote, "that the difference with regard to the diminution of public opulence, when a stock of the conveniences and necessaries of life is wasted uselessly at home...is extremely inconsiderable" (Smith 1976a, 570). It implies that when he refuted the monetary approach, he illustrated this based on the waste of stock by ways of the prohibition or restriction of importation. Smith here intended to rebuke mercantilism, but precisely, the monetary approach based on it.

As a result, before his contact with Quesnay and Turgot, and the publication of *WN*, he had already had a common concern about the monetary approach with Quesnay and Turgot. In refuting this approach, he sought another criterion of wealth that seemed more truthful for Smith, and then mentioned the idea of stock as essential unit of economy. He, however, at this stage, only adopted the idea of stock or capital sparingly.

#### 4. *WN*

When, in *WN*, Smith explained his theory of capital, the theory was intimately linked with



the criticism of the monetary approach.

Smith changed the plan for his plan of political economy from the *Early Draft* to *WN*. In the *Early Draft*, after he examined the nature of money and criticized the monetary approach in Chap. 4, in Chap. 5, he intended to explain the causes of the slow pace of economic growth. In *WN*, the part that corresponded with Chap. 4 of the *Early Draft* was Chaps. 4 and 5 of Book I. He then explained the nature of money and negated money as the measure of the value of commodities. Instead, labor was the accurate measure for Smith. After that chapter, Smith, in Chap. 6, introduced his idea of capital. This part did not appear in the *Early Draft*. Perhaps, influenced by Quesnay and Turgot, Smith recognized the importance of capital, and added its explanation in Books I and II.

Smith criticized the monetary approach. In Chap. 4, following the explanation in the *Early Draft*, Smith described the formation of the idea of money from a barter economy. Because precious metals could not be rotten and be divided easily, precious metals came to be used as money. Accordingly, money became the universal instrument of exchange. In Chap. 5, Smith insisted that gold and silver could change their values easily, so they could not be the precise measure of the value of commodities. After introducing labor as the more precise measure of the value, Smith rebuked the monetary manipulation. He wrote, "princes and sovereign states have frequently fancied that they

had a temporary interest to diminish the quantity of pure metal contained in their coins; but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe of all nations has, accordingly, been almost continually diminishing. Such variations therefore tend almost always to diminish the value of a money rent" (Smith 1976b, I. v. 11). Because of this change in the value of precious metals, they were seen as inappropriate for the measure of the value. Furthermore, Smith here rebuked the augmentation of money because it resulted in a change in the value of money. Smith preferred the stability of the value because it helps the measure of value. The augmentation destroyed the quality of money as the measure.

After Smith advocated the recoinage to increase the value of a currency (Smith 1976b, I. v. 36), in Chap. 6, he considered how, before the accumulation of capital and the introduction of the possession of land, labor could measure the value of goods precisely (Smith 1976b, I. vi. 1). After the accumulation, the quantity of labor contained in goods ceased to be the sole criteria of evaluating the value of goods. Rather, after paying materials and wages, the owners of capital intended to gain profits by employing their capital (Smith 1976b, I. vi. 5).

It suggests that after criticizing money as the measure of value, he instead proposed labor as the accurate measure, and then explained the change of the accumulation of

capital. He linked monetary denouncement with the theory of capital, like Turgot. However, unlike Turgot, the explanatory flow from the criticism to the theory was not straight because of the labor theory. Whereas Turgot still saw money as the basis of capital, Smith did not think so.

In Book II, Smith explained the contents of capital. In Chap. 1 of it, Smith divided capital into immediate consumption, fixed capital, and circulating capital. Fixed capital is subdivided into machines and instruments, buildings, land, and skills. Circulating capital is subdivided into money, provisions, and materials.

This lineup of capital was different from Turgot. For Turgot, capital was based on money. For Smith, money constituted only one part of the circulating capital; other parts were composed of non-monetary materials and skills. It could be argued that this difference comes from their different stance on the monetary approach. On the one hand, Turgot supposed that although money was not the source of wealth, it was still essential for the workings of the economy. On the other hand, although Smith recognized the importance of money for the workings, he qualified its importance based on his labor theory of value. Because of that theory, he could rely on another standard of the measure of value than money, that is, labor. Because the labor theory presupposed that in production processes, workers could add value to commodities, production processes

became important. Based on this assumption, Smith's contents of capital were mainly around production processes.

Smith's critical stance on money was also made clear in Chap. 2 of Book II. Smith then denied money as leading to the creation of wealth. He wrote, "money, therefore, the great wheel of circulation, the great instrument of commerce, like all other instrument of trade, though it makes a part and a very valuable part of the capital, makes no part of the revenue of the society to which it belongs (Smith 1976b, II. ii. 23). Smith negated the bullionist stance, the view that was also seen in Book IV in his criticism of the mercantile system.

This anti-bullionist stance, nonetheless, did not mean that Smith ignored monetary phenomena. On the contrary, because of this stance, he admitted that people could use paper money instead of precious metals. Although he was critical of the overissue of paper money, he did not deny that it was useful for economic development because it could increase the circulation of goods.

This stance also suggested Smith's negation of the importance of precious metals. In Chap. 4 of Book II, he wrote, "any increase in the quantity of silver, while that of the commodities circulated by means of it remained the same, could have no other effect than to diminish the value of that metal. The nominal value of all sorts of goods would be

greater, but their real value would be precisely the same as before" (Smith 1976b, II. iv. 11). It suggests that Smith criticized the bullionist stance, by which the increase of the number of precious metals could result in economic growth.

On the contrary, the economy could grow without a monetary increase. He wrote, "any increase in the quantity of commodities annually circulated within the country, while that of the money which circulated them remained the same, would, on the contrary, produce many other important effects, besides that of raising the value of the money. The capital of the country...would really be augmented." (Smith 1976b, II. iv. 12). When Smith regarded the number of goods as relevant to economic growth, he negated the importance of the quantity of money as leading to wealth.

He, accordingly, distinguished the favorable monetary approach from the unfavorable one. He admitted the replacement of paper money with precious metals. He negated the positive impact of the increase of precious metals on economy. Through his doubt on precious metals as the sources of wealth, Smith developed capital as non-monetary resources. His view of capital implied some critical nuances on the monetary approach to wealth.

In Chap. 5 of book 5, when he compared different employments of capitals, he showed this critical stance. As profitable employment of capital he preferred agricultural

capital to the carrying-trade one. For the latter contributed less to the production of a country than agriculture. Smith judged industry from the perspective of whether it could increase production in a country. This stance of the emphasis on production was compared with his critical view on unproductive industries. The criteria of unproductiveness was, in a sense, dependent on the criticism of any trade which did not produce goods.

Smith did not regard unproductive industry based on his assumption that monetary dealings could not contribute to production so much. As I argued, Smith found fault with the monetary approach to wealth and saw it as not leading to an increase in production. Because of this stance, Smith was critical of unproductiveness.

## **5. Concluding remarks**

Quesnay, Turgot, and Smith attacked the monetary approach to wealth. Based on this stance, they became critical of monetary manipulation leading to wealth. What they replaced for that was the non-monetary field of economy. Accordingly, they focused on the importance of agriculture and developed the idea of advances or capital. They, nonetheless, differed in their stance on monetary phenomena. Based on the differences, they set a different view of capital. Quesnay was more skeptical of money as the basis of

economy than Turgot and Smith. Despite their criticism of the monetary approach, both Turgot and Smith admitted the importance of money for the economy. Unlike Turgot, however, Smith was critical of money as capital. When Smith envisioned his idea of commercial society, people were said to be based on exchange. Although this exchange necessitates money, Smith saw money as only the medium, so he did not emphasize the importance of monetary manipulation as leading to wealth. Smith's commercial society contained doubt about the monetary approach. Despite the differences, monetary consideration was essential for developing the concept of capital.

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