

The Economic Thought of Thomas Paine

by Joseph R. Stromberg

I. *Paine's Relevance and Changing Reputation*

A discussion of any aspect of the thought of Thomas Paine must necessarily address, however briefly, Paine's relevance and changing reputation. The relevance, of course, lies in his uncontested role as the greatest propagandist of the American Revolution – in *Common Sense*, *The Crisis*, and in other writings. His *Rights of Man*, written in response to Edmund Burke's broad attack on both English liberal republicanism and the fast-shifting French Revolution, has its merits as a summary of revolutionary liberalism, even if the French exercise itself proved a bit abortive.

Paine had his critics - from John Adams, who called Paine "a keen writer but very ignorant of the science of government,"¹ to Teddy Roosevelt, who dismissed Paine as "a filthy little atheist." When Paine returned to America in 1802, after a decade and more of supporting and then merely living through the French Revolution, he found himself generally shunned as an infidel, having had the bad judgment, perhaps, to publish in the meantime his views on religion. With the exception of David Freeman Hawke, Paine's biographers tend to be his idolators, from Moncure Conway (himself an interesting story) in 1892, through Howard Fast, who novelized *Citizen Paine* as a Popular Front hero, to Marxist historian Eric Foner, who sees Paine as a great bourgeois radical and *laissez faire* liberal.²

Such writers admire Paine the religious skeptic or Paine the inveterate radical activist, and believe, I suppose, that if Paine lived today he would be head of a free-thought society or some splinter proletarian political party. Certainly, it has been the free-thinkers and the Left – one thinks of Marxist labor historian Philip S. Foner with his two-volume edition of Paine's major writings³ – who have kept Paine's writings alive in this century. Interestingly, those who claim Paine as a spiritual brother the most are precisely those who oppose any literal reading of his actual views. Isaac Kramnick, for one, was quite indignant when Ronald Reagan cited Paine's stated views on the desirability of ultra-minimal government.⁴ This was, apparently, very wrong. And yet – such were Paine's stated views. I leave for others Paine's religious convictions, his drinking, his early failures in life, and his occasional practice of selling his pen, and proceed to his general political position.

II. *Paine's Synthesis*

Paine's political ideology was part and parcel of what has been called the "American synthesis" – that particular combination of ideas and themes from republican theory, early liberalism, English law, and Protestantism, which Americans fielded in their

war of national liberation. Paine was not deeply read in any one of these traditions, which, as he himself said, made it easier for him to arrive at his conclusions. Thus Paine could write that “it is easy to see that when republican virtues fail, slavery ensues.”⁵ Yet in *The Rights of Man* he can say: “Every civil right has for its foundation some natural right pre-existing in the individual, but to the enjoyment of which his individual power is not, in all cases, sufficiently competent. Of this kind are those which relate to security and protection.”⁶

With Paine as in the American synthesis generally, natural rights, the “rights of Englishmen,” republican virtues, and more, jostle along, side by side, with no seeming theoretical anguish. With Paine, one also spots an incipient utilitarianism – like that of Godwin and his circle – deployed alongside and older rhetorical about the “Norman Yoke,” which owed something to the Leveller tradition.⁷ Others have seen, in particular works by Paine, residues of an early Quakerism along with a traditional English popular notions about “moral economy.”

III. Laissez Faire Liberal Social Theory

One cannot discuss Paine’s economics without looking at its framework: a sociology which has been called “classical liberal exploitation theory.”⁸ The essential insight here is that politics is normally – and always – the art of plunder. Thus Paine writes in *Common Sense* that, “Society in every state is a blessing, but government, even in its best state, is but a necessary evil; in its worst state an intolerable one: for when we suffer, or are exposed to the same miseries *by a government*, which we might expect in a country *without government*, our calamity is heightened by reflecting that we furnish the means by which we suffer.... Wherefore, security being the true design and end of government, it unanswerably follows that whatever form thereof appears most likely to ensure it to us, with the least expense and greatest benefits, is preferable to all others.”⁹

This is rather open-ended, to say the least – “utilitarian” in a positive sense – and could, for some theorists, lead to espousing anarchism, as it did with Godwin. Paine himself teeters, at times, on that brink. Thus he writes in *The Rights of Man*: “Great part of that order which reigns among mankind is not the effect of government. It had its origin in the principles of society and the natural constitution of man. It existed prior to government, and would exist if the formality of government was abolished. The mutual dependence and reciprocal interest which man has upon man, and all parts of a civilized community upon each other, create that great chain of connection which holds it together.” And further: “[A] great part of what is called government is mere imposition.” And: “Government is no farther necessary than to supply the few cases to which society and civilization are not conveniently competent; and instances are not wanting to show, that every thing which government can usefully add thereto, has been performed by the common consent of society, without government.”¹⁰

This last thought will not especially shock anyone conversant with and influenced by the thought of the late Murray Rothbard or other shapers of the contemporary radical free-market critique of known statist societies. For Paine, the absence of government would not be “the dissolution of society”; on the contrary, “[t]he more perfect civilization is, the less occasion it has for government because the more does it regulate its own affairs, and govern itself.” “[T]rade and commerce” were based on “laws of mutual and reciprocal interest.” Thus, in commercial and other voluntary arrangements, society – that is people – takes care of itself. By contrast, “governments, so far from being always the cause or means of order, are often the destruction of it.”¹¹

IV. Conquest Theory of the State (Lawyers, Guns and Money)

Not unsurprisingly, Paine embraces – and indeed is one of the original formulators of – what we now call “the conquest theory of the state.” This was real meaning of the traditional pro-Saxon rhetoric (shared by no less than Thomas Jefferson) with its long-standing lament about the Norman Yoke. As Paine put it, again in *The Rights of Man*: “It could have been no difficult thing in the early and solitary ages of the world, while the chief employment of men was that of attending flocks and herds, for a banditti of ruffians to overrun a country, and lay it under contributions.” Here we have Franz Oppenheimer and all the Prophets. Conquerors, “having parcelled out the world and divided it,” began to fight one another: “What at first was obtained by violence, was considered by others as lawful to be taken, and a second plunderer succeeded the first.”¹²

Here we have that wonderful word “plunder” – a concept at the heart of classical liberal political theory as wielded, for example, by Frederic Bastiat. Political exploitation rested, in the late 18th century, on monarchy, “the master fraud which shelters all others. By admitting a participation of the spoil, it makes itself friends; and when it ceases to do this, it will cease to be the idol of courtiers.” The result of the old regime was “a perpetual system of war and expense,” which impoverished the peoples subject to it.¹³

With an eye on the English case, Paine wrote that “the origin of aristocracy was worse than foppery. It was robbery. The first aristocrats in all countries were brigands. Those of later times, sycophants.” As to feudal land-holding, Paine adds: “It is very well known that in England (and the same will be found in other countries), the great landed estates now held in descent were plundered from the quiet inhabitants at the Conquest. The possibility did not exist of acquiring such estates honestly. If it be asked how they could have been acquired, no answer but that of robbery can be given. That they were not acquired by trade, by commerce, by manufactures, by agriculture, or by any reputable employment, is certain.”¹⁴

The remedy was a private-property order based on equal liberty: “As property, honestly obtained, is best secured by an equality of rights, so ill-gotten property depends

for protection on a monopoly of rights. He who has robbed another of his property, will next endeavor to disarm him of his rights, to secure that property; for when the robber becomes the legislator he believes himself secure.”¹⁵ This last point calls to mind the whole recent literature on “rent-seeking” which, as Walter Block has observed, really ought to be called “plunder-seeking” or the like.

War and the war system were central to the organization of plunder: “It may with reason be said, that in the manner the English nation is represented, it signifies not where this right resides, whether in the Crown or in the Parliament. War is the common harvest of all those who participate in the division and expenditure of public money, in all countries.” Governments claimed to provide security for society, but in fact their operations were “the art of *conquering at home*: the object of it is an increase of revenue; and as revenue cannot be increased without taxes, a pretense must be made for expenditures. In reviewing the history of the English Government, its wars and its taxes, a bystander, not blinded by prejudice, nor warped by interest, would declare, that *taxes were not raised to carry on wars, but that wars were raised to carry on taxes.*”¹⁶

In a wonderful insight which applies with certain force to modern liberal-democratic welfare-warfare states, Paine writes: “[T]he portion of liberty enjoyed in England, is just enough to enslave a country by, more productively than by despotism; and that as the real object of all despotism is revenue, a government so formed obtains more than it could do either by direct despotism, or in a full state of freedom; and is therefore, on the ground of interest, opposed to both.”¹⁷ Foreign war, indeed, was the Achilles heel of relatively free societies like England: “In despotic governments, wars are the effect of pride; but in those governments in which they become the means of taxation, they acquire thereby a more permanent promptitude.”¹⁸

V. *Political Economy More Narrowly Considered*

Thus Paine’s overall world-outlook and the political side of his political economy. Turning to some more specifically “economic” matters, we find him strongly in favor of the free movement of goods across borders. In *The American Crisis*, he writes: “The freedom of trade, likewise, is, to a trading country, an article of such importance, that the principal source of wealth depends upon it; and it is impossible that any country can flourish, as it otherwise might do, whose commerce is engrossed, cramped and fettered by the laws and mandates of another – yet these evils, and more than I can here enumerate, the continent has suffered by being under the government of England. By an independence we clear the whole at once – put an end to the business of unanswered petitions and fruitless remonstrances – exchange Britain for Europe – shake hands with the world – live at peace with the world – and trade to any market where we can buy and sell.”

Further: “War can never be in the interest of a trading nation, any more than quarrelling can be profitable to a man in business. But to make war with those who trade

with us, is like setting a bull-dog upon a customer at the shop-door. The least degree of common sense shows the madness of the latter, and it will apply with the same force of conviction to the former. Piratical nations, having neither commerce or commodities of their own to lose, may make war upon all the world, and lucratively find their account in it; but it is quite otherwise with Britain.... In whatever light the war with America is considered upon commercial principles, it is evidently the interest of the people of England not to support it; and why it has been supported so long... is, to me, and must be to all the reasonable world, a matter of astonishment.”¹⁹

In Paine’s view, “[r]evolutions have for their object a change in the moral condition of governments, and with this change *the burden of public taxes will lessen*, and civilization will be left to the enjoyment of that abundance of which it is now deprived.” Free markets and free trade are keys to a better world: “If commerce were permitted to act to the universal extent it is capable of, it would extirpate the system of war.... The invention of commerce has arisen since those governments began, and is the greatest approach toward universal civilization, that has yet been made by any means not immediately flowing from moral principles.”²⁰

All nations realize the advantages of trade or they “would abandon the practise....” And yet “Mr. Pitt has sometimes amused himself, by showing what he called a balance of trade from the custom-house books” – “a mode of calculation” affording “no rule that is true, but one that is false.” In weighing the benefits of commerce, Paine nearly arrives at the law of comparative advantage as well as a solution to the value-problem then being muddled by his contemporary Adam Smith. Referring to two items traded between nations, Paine says, “[t]he original value of the two articles in their proper countries was but two shillings, but by changing their places, they acquire a new idea of value, equal to double what they had at first, and that increased value is equally divided.”²¹ Well, not exactly “double” and not exactly “equal,” but he has hit on why goods are exchanged at all and on the two-sided benefits of trade.

Paine seems especially sound on what is called “economic” imperialism: “The most unprofitable of all commerce is that connected with foreign dominion. To a few individuals it may be beneficial, merely because it is commerce; but to the nation it is a loss. The expense of maintaining dominion more than absorbs the profits of any trade.”²² The attempt to confine or channel trade on the mercantilist model only served to force it to break out in irregular channels – at some loss to those concerned. Mutual interest and not naval power was the securest foundation of trade. It must be admitted, however, that Paine subscribed for a time to ideological imperialism until he became disillusioned with the French Revolution and its works. Thus Paine was a “social Bonapartist” who wished to spread the revolution by military means.

In “Government, Banks, Money,” Paine is on fairly sound ground. He writes that paper money “turns the whole country into stock jobbers” – a wonderfully Bolingbrokean phrase. It was “at best a bubble.” It was idle to speak of paper as money, “since the universal custom of the world has established money [here he means gold and silver: real money] as the most convenient medium of traffic and commerce....”²³ Like John Locke before him, Paine understood that money had emerged naturally as a social practice, precisely the point nailed down by Mises in *The Theory of Money and Credit*.

In “Death and Taxes,” Paine writes that “[t]he natural effect of increasing and continuing to increase paper currency is that of banishing the real money. The shadow takes place of the substance till the country is left with only shadows in its hands.” These distortions carry over into foreign trade, where “profit shows itself, not by an increase of paper currency, for that may be nationally had without the trouble of trade, but by an increase of real money: therefore the estimation should have ended, not in the comparative quantity of shipping and tonnage, but in the comparative quantity of gold and silver.” Those who believed that increased paper money caused prosperity were “[p]oorer in wealth and richer in delusion.” The radical mistake was “putting paper in the room of money.”²⁴

As for property, the foundation of a liberal order, Paine writes in his “Dissertation on First Principles of Government” that “property will ever be unequal.... Industry, superiority of talents, dexterity of management, extreme frugality, fortunate opportunities, or the opposite, or the means of those things, will ever produce that effect, without having recourse to the harsh, ill-sounding names of avarice and oppression.... All that is required with respect to property is to obtain it honestly, and not employ it criminally; but it is always criminally employed when it is made a criterion for exclusive rights.”²⁵ [248]

VI. Paine’s “Deviations”

Here and there in Paine’s writing we find more than a hint of welfarism, however modest, and an anticipation of Georgist doctrine on the taxation of land, in addition to the social Bonapartism already mooted.²⁶ This has endeared Paine to some later writers who see him almost transcending the limits of “bourgeois” liberalism.²⁷ What is one to make of this?

Paine was optimistic about the inherent wisdom of the people and was perhaps for this reason a bit too sanguine about governmental initiatives undertaken by republican regimes. With the benefit of 200 years’ hindsight, we are more skeptical than he was, even if we do not quite take up anarcho-monarchism. Paine tended to ascribe the evils of statism to monarchy and feudalism and not to states as such. Of course, he might have scoffed at the notion that whole sections of his productive middle and working classes would decide, in time, to live off the state – that is, from political plunder. One has, here, a

certain sympathy with the Reverend Fawcett, who went about with Paine's *Rights of Man* and Burke's *Reflections on the Revolution in France* under one cover because, he said, together "they made a good book."

VII. Paine's Legacy

We remember Paine as a great propagandist for the American synthesis. There is a certain Saxon quality in his style, suggesting that even in matters of language he was resisting the Norman Yoke. And even from the strictest Rothbardian standard, Paine has fewer "deviations" from real liberal/republican principles than anyone lately running for high public office even in a major party with one of those words in its name.

Notes

1. Adams quoted in David Freeman Hawke, *Paine* (New York: Harper & Row, 1974), 49.
2. Moncure Conway, *Thomas Paine*, 2 vols. (New York: The Confucian Press, 1982 [1892]); Eric Foner, *Tom Paine and Revolutionary America* (New York: Oxford University Press, 1977).
3. Philip S. Foner, ed., *The Complete Writings of Thomas Paine*, 2 vols. (New York: The Citadel Press, 1945).
4. Isaac Kramnick, *Democracy*, 1, 1 (January 1981), 127-138.
5. *Selected Writings of Thomas Paine*, ed., Richard Emery Roberts (New York: Everybody's Vacation Publishing Co., 1945), 18.
6. *Ibid.*, 276. Murray Rothbard, Hans-Hermann Hoppe, and Jeffrey Rogers Hummel, among others, have presented arguments which de-couple security provision from the state.
7. On the misnamed Levellers, see Richard Gleissner, "The Levellers and Natural Law: The Putney Debates of 1647," *Journal of British Studies*, 20, 2 (Fall 1980), 74-89.
8. On this, see Ralph Raico, "Classical Liberal Roots of the Marxist Doctrine of Classes" in Yuri N. Maltsev, ed., *Requiem for Marx* (Auburn, Ala.: Ludwig von Mises Institute, 1993), 189-220.
9. Roberts, *Selected Writings*, 9.
10. *Ibid.*, 293. Cf. Mises on the nature and origins of society. For a thorough summary, see Joseph Salerno, "Mises as Social Rationalist," *Review of Austrian Economics*, 4 (1990), 26-54.
11. *Ibid.*, 294-295.
12. *Ibid.*, 296-297.
13. *Ibid.*, 320, 324-325.
14. *Ibid.*, 249-250. Cf. Ludwig von Mises: "Nowhere and at no time has the large scale ownership of land come into being through the working of economic forces in the market. It is the result of military and political effort" (*Socialism* [London: Jonathan Cape, 1951], 375).
15. *Ibid.*
16. *Ibid.*, 282 (my emphasis). As Jeffrey Rogers Hummel puts it, "The territory constituting the United States is in a very real sense already conquered – by the United

States government” (“National Goods Versus Public Goods,” *Review of Austrian Economics*, 4 [1990], 96-97).

17. *Selected Writings*, 282. Hans-Hermann Hoppe notes that it is precisely more productive liberal societies whose states can raise revenues sufficient to support imperialist policies (“Banking, Nation-States and International Politics,” *Review of Austrian Economics*, 4 [1990], 76-78).

18. *Selected Writings*, 282. The Old Right journalist John T. Flynn made precisely this point with reference to the New Deal. See *Country Squire in the White House* (New York: Doubleday, Doran & Co., 1940), 102

19. *Selected Writings*, 73, 119-20.

20. *Ibid.*, 325-326 (my emphasis).

21. *Ibid.*, 327-328.

22. *Ibid.*

23. *Ibid.*, 211, 213.

24. *Ibid.*, 229, 231.

25. *Ibid.*, 248.

26. *Ibid.*, 337ff., where, towards the end of *The Rights of Man*, Paine seems to have invented something like Milton Friedman’s negative income tax with which to replace the existing system of poor rates. For Paine’s proto-Georgism, see “Agrarian Justice” in Foner, *Complete Writings of Thomas Paine*, I, 605-623.

27. Kramnick, “Tom Paine: Radical Democrat,” and William Christian, “The Moral Economics of Tom Paine,” *Journal of the History of Ideas*, 34, 3 (July-September 1973), 367-380.