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Alessandro Stanziani, *Rules of Exchange: French Capitalism in Comparative Perspective, Eighteenth to Early Twentieth Centuries*. New York: Cambridge University Press, 2012. ix + 313 pp. Notes and index. €55.00/\$90.00 U.S. (hb). ISBN: 978-1-1-7-00386-6.

Review by Jeff Horn, Manhattan College.

*Rules of Exchange* is an important book. It ties together more than a decade's worth of research by a distinguished and productive author. Alessandro Stanziani lays out a significant set of arguments about the economic and legal history of modern western civilization through the prism of France, but with a great deal of comparison through secondary sources to other places, with special emphasis on the United Kingdom, Germany, Italy and the United States. Although much influenced by the Northian emphasis on institutions so much in vogue among economists and economic historians, Stanziani consistently rethinks orthodoxies and advances provocative positions. [1]

Stanziani's chief argument is that "in the name of competition, markets actually express an ideal of non-competition" (p. 1). Unsurprisingly, given this thesis, he also rejects the notion that free markets have ever existed, along with the notion that there is any fundamental distinction in terms of market regulation between civil law countries like France or common law countries such as the UK or the US (p. 2). In the course of exploring the principle of competition and how it functions, Stanziani also argues that micro-legal regulation (as opposed to macro-economic tools) shaped most market operations and influenced social hierarchies. He contends that the supposed opposition between rules and markets is an ideological and historiographical construct that does not conform to the reality of capitalism (p. 305). As a result, writes Stanziani, if there was a break in the history of capitalism, it came not with the Industrial Revolution, but in the late nineteenth or early twentieth centuries with the Second Industrial Revolution, the birth of consumerism and mass consumption, and the rise of the welfare state (pp. 2, 4, 305-306).

*Rules of Exchange* examines the nature of western industrial capitalism in eleven thematic chapters that function as case-studies for Stanziani's ideas. There is also an introduction and a conclusion and a rather pathetic index; the lack of a bibliography is striking. The first chapter scrutinizes the economic ideas of certain thinkers, notably Adam Smith, Jeremy Bentham, and Léon Walras, to reach a number of conclusions. Stanziani rejects the present-day lionization of Smith for championing free self-regulating markets as a myth invented in the nineteenth century. He then attempts to demonstrate that Bentham actually originated that concept (pp. 17, 21). For Stanziani, Walras' reputation as a liberal economic thinker was another myth since his actual ideas were a blend of utilitarianism and socialism (p. 31). Although quite interesting, this chapter is, for this reader, among the least successful in the book, in part because of the speed with which Stanziani draws his conclusions and also because most of the points appear to relate to a debate in economics which needed further explanation.

The second chapter surveys civil and commercial law with regard to codes, customs and jurisdictions to conclude that, until the late nineteenth century, law functioned similarly in common and civil law countries. The key to understanding the function of these laws, Stanziani posits, is not their content, but rather the production and interpretation of rules (p. 38). Based on this significant insight, he devotes

chapters to “Covered Markets,” “the World of Shops,” and “Intangible Trade and the Produce Exchange,” emphasizing that economics and economic history has misrepresented how these institutions functioned. These three chapters are more discursive, more focused on France and make far more use of archival sources. Yet, I was troubled by the way that Stanziani limited his analysis to particular aspects of the market. Each case study is significant, but they beg certain questions about his more general conclusions. For example, the focus on agricultural produce exchanges as an aspect of wholesaling is both necessary and suggestive, yet the rationale for why this example is more important than other aspects and why manufactured products should be almost completely ignored are unconvincing at best (p. 94).

The third part of this book assesses the market as transaction. Stanziani explores contracts, trademarks and the nature and types of economic information gathered by states as a means of understanding how product information, reputation, and expertise shape markets for agricultural goods, especially wine. Distancing himself from North, Stanziani emphasizes the rise and decline in contractual freedom as the major shift in transactions in this period (p. 116). With regard to international trade under the Third Republic, Stanziani focuses on how contracts and networks substituted for the *lex mercatoria*: he understands markets and institutions as complementary, rather than effective rivals in regulating such commerce (pp. 193-194, 197). Stanziani concludes that until the late nineteenth century, French entrepreneurs were not risk averse; rather, they just did not have the same quality of economic information available in competing nations (p. 221). This fascinating insight into the nature of entrepreneurship is developed primarily through the wine trade, though there is some comparison to manufactured goods (pp. 182-192). He asserts that, regarding the rules of exchange, the growing standardization and industrialization of agri-business in this era drastically minimized the differences between agriculture and manufacturing thereby justifying his somewhat cursory look at industrial goods (pp. 183, 191).

Part four considers hoarding, speculation and unfair competition, first in France, and then in other western countries. Stanziani argues that understanding hoarding as a form of speculation until the twentieth century demonstrates the long-term compatibility of capitalism and regulation (p. 248). He also develops his argument that with regard to the rules of exchange, there was no essential difference between civil and common law because competition, like capitalism, has always been structured to reconcile stability, individual gain, innovation and public well-being (p. 301).

Alessandro Stanziani earned doctorates in both economics (University of Naples) and history (the École des hautes études en sciences sociales) and it shows. From the number of times he implicitly criticizes the historical foundation of claims made by economists, it is clear that Stanziani wishes to see the latter discipline make better use of the former (pp. 40, 66, 126, 129, 189-190, 195, 227, 235, 242, 244, 279, 281, 287 and 307). Yet, especially in chapters one, five, and nine, a great deal of the discussion is rather abstract and theoretically derived. I suspect that some readers will find this material a bit heavy going.

Despite the subtitle, the overwhelming bulk of this book concerns the Third Republic up to the First World War. In *Rules of Exchange*, Stanziani synthesizes much previous work in French including a monograph, an edited collection and a dictionary as well as five articles (four in English) mostly having to do with legal issues, food history and the wine trade. This depth of research helps the polish of the book, but Stanziani’s nearly exclusive focus on agricultural goods as a means of understanding complex trans-sectoral issues is problematic. By avoiding an exclusive focus on industrial development and innovations in technology in comparative explorations of the practice of capitalism, Stanziani has done the field a great favor, yet by avoiding manufacturing, he has minimized the essential continuity of many aspects of the institutional framework developed under the Third Republic, especially with regard to consumer protection, expertise, product information, entrepreneurial behavior, hoarding and unfair competition whose origins go rather far back into the Old Régime.[2] I am uneasy with Stanziani’s decision to focus on product markets and ignore the multiple roles of labor along with the land market

in trying to understand the *Rules of Exchange* (p. 9). I am convinced by what he says about agricultural product exchange, but by leaving these other vital elements out of the analysis, Stanziani finds it easier to push back the tipping point in fundamental change in the capitalist system to the Third Republic.

*Rules of Exchange* should be in every library's collection. Its main lines of argument represent a fundamental challenge to some of the existing literatures in economics and economic history. It will be especially attractive to those interested in political economy, market relations, the legal framework of capitalism and the Third Republic. With assistance from an able translator, Stanziani set out his ideas clearly and with minimal jargon. That said, some of the choices in constructing arguments and marshaling evidence force me to regard a number of Stanziani's most important assertions as suggestive and requiring further research, rather than conclusively demonstrated. The importance of Stanziani's arguments should help to set a research agenda as others seek to test his conclusions and incorporate them into the theoretical literature.

#### NOTES

[1] The Nobel Prize winning work of Douglass C. North on institutions can be approached fruitfully through *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990) and *Understanding the Process of Economic Change* (Princeton, N.J.: Princeton University Press, 2005).

[2] These subjects are major elements of my current project entitled *The Privilege of Liberty: Economic Development in Early Modern France*. For some of these elements, see Jeff Horn, "Marseille et la question du mercantilisme : privilège, liberté et l'économie politique en France, 1650-1750," *Histoire, économie & société* 2(2011): 95-112.

Jeff Horn  
Manhattan College  
[jeff.horn@manhattan.edu](mailto:jeff.horn@manhattan.edu)

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