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THE PLACE OF IDEAS ABOUT PROPERTY IN POLITICAL  
THEORY, IN GREAT BRITAIN BETWEEN 1750-1850,  
WITH SPECIAL REFERENCE TO LABOUR AND VALUE  
THEORIES, AND THE DISTRIBUTION OF WEALTH  
BETWEEN CLASSES.

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#### SUMMARY

This dissertation is concerned with ideas about property presented in British political theory between 1750-1850. It focuses not only on the major traditions of Utilitarianism and Natural Rights, but, also, since there is an obvious gap in the literature, on those ideas about property implicit in classical political economy. The study begins with the theory of property advanced by Adam Smith, concentrating on the relationship between property and the stadial thesis, observing that this latter thesis represents a referential framework for Smith's ideas on property, with property differentiation a defining characteristic of each stage. Next we examine the links between labour, value, and distribution in Smith's economics, concluding that the ambiguities within Smithian value and distribution theory provide both impetus and material for the Ricardians' conception of value and distribution. We then examine the Ricardians' views on value and distribution, concluding that both represent empirical/explanatory theories, founded upon the assumed legitimacy of the prevailing property structure. This discussion is followed by an account of the Utilitarian theory of property, centring on the connections between security and equality. It is the same concern with security found in the Utilitarian thought, we conclude, that underlies classical political economy, and not notions derived from Locke as frequently asserted. Thomas Hodgskin's natural rights theory of property provides the substance of the next chapter. Here we illuminate the various senses with which Hodgskin invests the term "natural", and consider the tension between those Smithian and Lockean elements incorporated into Hodgskin's theory. The theories of just appropriation advanced by the anti-Ricardians, and their links with "exploitation", the exchange mechanism, and monopoly ownership of the means of production, are our next concern. Finally, we consider the various plans designed by the anti-Ricardians to reconcile labour with its product, which include an artisanal model, three communitarian schemes, and two proposals for monetary reform.

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DECLARATION.

The material presented in this thesis is entirely the product of my own research, and I accept full responsibility for what is contained herein. None of what follows has ever been published in any book, journal or research paper.

ABBREVIATIONS

<u>HOPE</u>	<u>History of Political Economy</u>
<u>JHI</u>	<u>Journal of the History of Ideas</u>
<u>PPA</u>	<u>Philosophy and Public Affairs.</u>
<u>PS</u>	<u>Political Studies</u>
<u>SJPE</u>	<u>Scottish Journal of Political Economy</u>

Works of Adam Smith

References to these works follow the tradition employed by the editors of The Glasgow Edition of the Works and Correspondence of Adam Smith, (Oxford, Clarendon Press, 1975-1980), referring not to page numbers but to the appropriate book, section and paragraph. Thus, for example, WN.I.viii.1 = The Wealth of Nations, Book I, chapter viii, paragraph 1.)

- ED.            "'Early Draft' of Part of the Wealth of Nations", in the Lectures on Jurisprudence (1978).
- EPS            Essays on Philosophical Subjects, W.P.D.Wightman and J.C.Bryce, eds. with Duquald Stewart's, "Account of Adam Smith", I.S.Ross, ed., (1980).
- LJ (A)        Lectures on Jurisprudence, Report of 1762-3, R.L.Meek, D.D.Raphael, and P.G.Stein, eds., (1978).
- LJ (B)        Jurisprudence or Notes from the Lectures on Justice, Police, Revenue, and Arms delivered in the University of Glasgow by Adam Smith, Professor of Moral Philosophy. Report dated 1766, R.L.Meek, D.D.Raphael, and P.G.Stein, eds., (1978).
- TMS          The Theory of Moral Sentiments, D.D. Raphael and A.L.Macfie, eds., (1976).
- WN            An Inquiry into the Nature and Causes of the Wealth of Nations, R.H.Campbell, A.S.Skinner, and W.B.Todd, eds., 2 vols. (1975).

### Introduction

The principal aim of this dissertation is a consideration of the place of ideas about property, in British political theory, between 1750-1850, focusing on two specific areas: namely, the relationship between property, labour, and value; and secondly the issue of the distribution of wealth between classes. The choice of the word "ideas", in the title, is no accident. We are concerned in this thesis, not only with fully articulated theories of the origin and nature of property derivation, such as Hodgskin's natural rights theory, but also with the question of the assumptions about both the origin and distribution of property, which underlie many of the more strictly economic works dealt with herein. It is our contention, for example, that it is impossible to understand completely the social ramifications of the Ricardian theory of distribution without some comprehension of the utilitarian conception of the balance between security and equality, in the allocation of property, which informs that theory. Whilst it is true that Ricardo did not enunciate a justificatory theory of property, it is also true that for his notion of the distribution of wealth between classes to function, and to be validated, he must have assumed certain things about the prevailing pattern of property.<sup>1</sup> Similarly, and relatedly, the whole foundation of capitalism, which it was the aim of the classical political economists to defend in the course of their enunciations about its workings, implies a certain conception of the nature and function of property rights; for capitalism is grounded in an individualistic, right of private property, and in the correlative notion that such individualism will probably, and justifiably, entail the existence of an unequal distribution of wealth.<sup>2</sup>

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(1) See below, chapters 3 and 4.

(2) Cf., Hodgson, Geoff, Capitalism, Value and Exploitation: A Radical Theory. (Oxford, Martin Robertson, 1982), pp 108-116.

In addition to the fact that we are interested in ideas about property, as opposed simply to theories of entitlement generally, is also the fact that the ideas with which we are concerned, and which were prevalent in the period in question, are necessarily disparate. We are not dealing uniquely, therefore, with the notion of private property, but also with the conception of communal ownership, and social property.

The general scope of this dissertation is, thus, defined by an interest in ideas about property, which ideas may, or may not, form part of a fully-fledged justificatory theory of entitlement. In more specific terms, this thesis is concerned with the relationship of those ideas about property to a number of other themes. One of those themes is the somewhat familiar notion of the connection between labour and property. Within the context of this study, that relationship refers to both the way in which the expenditure of labour may be seen to generate a right of property, both as a universally operative paradigm of just appropriation,<sup>1</sup> and as an historically specific paradigm;<sup>2</sup> and to the way in which the application of labour to nature, for example, may simultaneously determine value, which may, or may not, have appropriative repercussions. The reasons for this concern with the links between labour, property, and value, are manifold. Traditionally, a connection has often been made between the expenditure of labour in the process of acquisition, and the related creation of value. Thus, for example, Locke, in the course of his defence of the individuation of land from the common, observes that the very act of labouring which is necessary to appropriation gives value to the land in cultivation, reinforcing, perhaps, the strength of the labourer's

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(1) See, for example, the pronouncements of Thomas Hodgskin, William Thompson, John Gray and John Francis Bray, below chapters 6 and 7.

(2) See, for example, Adam Smith, below, chapters 1 and 2.

claim to that land. In this instance, the question of value determination is supportive of appropriative claims.<sup>1</sup>

The connection between labour, value, and property, is also of note for the development of the theories of value and distribution expounded by the classical political economists in the 1820's and 1830's.<sup>2</sup> One particularly salient characteristic of the writings of these men is the absence of any attempt to explain, or justify, unequal property holdings on the grounds of entitlement. Rather, the argument is shifted to the somewhat technical/empirical domain of value determination and measurement.<sup>3</sup>

The final way in which the relationship between labour, value, and property, is of moment for this dissertation, relates to the question of exploitation, which, for the authors dealt with in this study, means the expropriation by land and capital of the rightful product of labour. How that exploitation is actually perpetrated, and how it can be measured, forms one of the central issues of the later chapters.

As well as considering the link between labour, value and property, as outlined above, another central theme of this thesis refers to conceptions of the principles regulating the distribution of wealth between classes. The need for this additional organisational point relates to the central concern of classical political economy, which was to explain the natural laws underlying capitalist distribution. The theories of distribution expounded differ from justificatory explanations of property derivation for, whilst the latter is an

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(1) Locke, John, An Essay Concerning the True Original, Extent, and End of Civil Government (1689), chapter V, passim.

(2) By the classical political economists, I am referring, specifically in this dissertation, to a limited group of writers, viz., David Ricardo, James Mill, John Ramsay McCulloch, Thomas Robert Malthus, and Col. Robert Torrens. The reason for the somewhat unconventional exclusion of Smith from this group is dictated by reasons of literary clarity, and is not meant as a comment upon Smith's membership of that group.

(3) See below, chapter 3, section 1,

inherently normative pursuit, finding the legitimate bases of appropriation, the question of distribution forms a largely empirical pursuit, focusing not upon the question of the origin of the right to a particular type of factorial income, in the first place, but upon the principles governing the actual rate of that factorial return, assuming as data the division of society into three classes, defined by reference to their ownership of one of the three factors requisite to production, viz., land, labour, and capital.

The thematic parameters of this thesis have obviously been set by the choice of authors. In chronological order, we begin with Adam Smith. The problems bequeathed by Smith, in his political economy especially, identified the next relevant group of authors, the classical political economists mentioned above, for the substantive content of many of their compositions derived directly from an attempt to address, and solve, those issues unsatisfactorily elucidated by Smith, particularly in the fields of value, and distribution. Similarly, it was the unsatisfactory explanation of the workings of industrial capitalism, as espoused by the classical political economists, that led a group of writers - Thomas Hodgskin, John Gray, John Francis Bray and William Thompson - to demonstrate the claim of labour to the entire fruits of its endeavour. This group of writers, henceforth denominated the "anti-Ricardians"<sup>1</sup>, were of interest not only for their championship of labour's claim to property but also for the development, by some of their number, of ideas about the communal ownership of property.<sup>2</sup>

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(1)The reason for the adoption of this terminology will be explained in the introduction to chapter 7 below.

(2)See below, chapter 8.

The only other author considered in this thesis, in any substantial sense, is Jeremy Bentham, whose inclusion was determined by two factors: firstly, and most importantly, by the fact that it is my contention that it is the theory of property propounded by the Utilitarians that forms the basic conceptual framework for the views of the classical political economists on the question of distribution, that is the concern with security over equality: and secondly, by the fact that this doctrine from utility, as conservatively rendered by Bentham and Mill, receives an egalitarian rehearsal in the work of William Thompson.<sup>1</sup>

Having defined the authors dealt with in this study, the next question we have to consider is the issue of methodology. Our concern with the history of a particular idea has, to some extent, predetermined our method. The composition of this thesis has, therefore, been based principally upon a process of textual exegesis. Rather than proceed by a simple author-by-author exposition of ideas, the material examined has been arranged along broadly thematic lines, with some concession to chronology. There has been some inevitable consideration of the degree of influence between authors, though this is not the primary aim of the thesis. Instead, the focus upon the examination of a particular idea - property - has meant that the analytical procedure adopted has required a largely comparative approach, with the academic value of this research defined by its attempt to contribute to the existing debate on the history of that idea.

In more detailed terms, the arrangement of material in this thesis is as follows: in Chapter 1 we will examine the relationship between Adam Smith's conception of the origin and evolution of property, and the role of the four-stages theory in that conception, focusing upon four questions: the nature of the connection between justice and

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(1) See below Chapter 7, section 1(ii).

property; the status of ideas about property in the differentiation of the four stages; the issue of entitlement; and the question of the relationship between property differentiation, government and authority, demonstrating that the four-stages thesis forms simply the referential framework within which such ideas are deployed, with stages differentiated largely according to conceptions of property.

In chapter 2, it is the relationship between Adam Smith's conceptions of labour, value and distribution that form the substantive basis of the chapter. The chapter will commence with an examination of the "paradox of commercial society", before moving on to a consideration of value theory, beginning with a review of the conceptual pre-requisites of that theory, then discussing the relationship between value and utility, the labour command hypothesis, and finally, the link between Smith's labour cost thesis and cost-of-production hypotheses. It will be our objective here to show (i) that the labour command thesis can only be understood as attempt to address the problem of the measurement of value; and (ii) that Smith, unwittingly, in the shift from a labour cost to a cost of production explanation of price, suggested, to the anti-Ricardians, the process by which the coincidence between labour expenditure and labour reward was broken. Finally, in this chapter, we will examine Smith's theory of distribution, considering separately the questions of the determination of wages, profit and rent.

In chapter 3, the main subject matter comprises an examination of the relationship between value and property in classical economics. The chapter commences with an attempt to explain the rationale behind the shift away from a justificatory theory of entitlement to the issue of valuation as the basis of distribution. It is followed by an appraisal of the value theories of David Ricardo, John Ramsay McCulloch and James

Mill, with the problems and parameters of the theory of the former being determined largely by the unresolved issues illuminated by Adam Smith, and of the latter two, by an attempt to build upon and extend the views of Ricardo. One notion of particular interest in this chapter is the question of the problem of time in value determination which led to a conceptual shift in the use of the term "labour" which had potentially enormous ramifications for the problem of just desert.

In chapter 4, it is the theory of distribution espoused by the classical economists that is examined. The chapter opens with a discussion of the connection between distribution and ideas about property, before continuing with a review of the question of rent, concentrating specifically on the elucidation of the theory of differential rent. This is followed by an examination of the question of wage theory, bifurcated into an examination of the doctrine of subsistence wages, and an examination of the concept of wage-fund theory. The chapter ends with a discussion on the source, derivation, and determination of the rate of profit. The principal claim of this chapter is that the classical economists shifted the issue of distribution from a normative concern with just entitlement, to an empirical concern with the principles regulating the actual rate of returns to factorial income, assuming as legitimate the proprietary base of those returns.

Chapter 5 is concerned with the Utilitarians, and their emphasis upon the relationship between security and equality in terms of the definition of property rights. The major focus of this chapter is provided by an elucidation of the theory propounded by Jeremy Bentham, which regards law as constitutive of property rights, and which operates as a conservative defence of existing property arrangements. This

theory is of especial interest since it seems to accord no special status to labour in the generation of property rights, a position of great implication for the stance adopted by the Ricardian school of classical economy. This is followed by an assessment of James Mill's views on the relationship between security, property, and government, concentrating on the ambiguity surrounding the status of labour, and desert, within that thesis. The chapter concludes with a review of the classical political economists' concern with security of property as a basic pre-requisite for the efficient functioning of the economy, a concern which, as we propose to demonstrate, reinforces the claim that it is the conceptual framework provided by Utilitarian theory that underlies the economic pronouncements of the classical political economists.

In chapter 6, we will contemplate Thomas Hodgskin's theory of a natural right of property. This chapter will concentrate on the elucidation of three general questions: the philosophical basis of the natural rights argument; the problem of the relationship between the natural and artificial rights of property in land, the former subject to the "use" proviso outlined by Locke, and formulated in terms of the four-stages thesis of Smith, and the latter defined by an argument locating the basis of the actual property distribution of current society, in the Norman Conquest of Europe, with implications for the origin of rent; and finally, the notion that the natural right of property has both the capacity to, and ultimately will, in fact, undermine the artificial right of property. The main textual base for this chapter is provided by Hodgskin's The Natural and Artificial Right of Property Contrasted<sup>1</sup>. Hodgskin's consideration of the illegitimate foundations of the returns to capital, and his critique of the prevailing economic system, have been deferred to the next chapter, because, since

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(1) (London, Steil, 1832)

the exposition of the natural rights thesis, is not, ipso facto, concerned with the problem of capitalism, but with the normative bases of legitimate acquisition, such a division of material was thought preferable.

In chapter 7, we are primarily interested in the anti-Ricardians, and their critiques of the distributive implications of the system of industrial capitalism, and the claim that labour alone is entitled to the full produce of its industry. Material in this chapter is arranged around three principle issues: the just bases of entitlement; the refutations of the claims of land and capital; and the problem of exploitation discussed in terms of the monopoly ownership of the means of production, value determination and the mechanism of unequal exchanges. It is the main contention of this chapter that the anti-Ricardians located the source of exploitation in the abrogation of the natural law of appropriation through the monopoly ownership of the means of production and the means of an inegalitarian system of exchange.

The final chapter of this dissertation again focuses on the anti-Ricardians, but is here concerned with the schemes developed by those authors to reconcile labour with its product. The chapter will be separated into three main areas: in the first, we will examine Hodgskin's thesis that this reconciliation is contingent upon the removal of positive regulations governing property; in the second, we will examine the system of communitarianism bequeathed by Robert Owen, and adopted by John Francis Bray and William Thompson, as a means of effecting the reconciliation of labour with its product; and in the third area we will focus upon the plans for the rationalisation of exchange, and monetary reform devised by John Gray, and imitated in part by John Francis Bray.

We shall begin, then, with a consideration of the relationship between Adam Smith's conception of the origin and evolution of property, and the four-stages theory of historical development.

Chapter 1. Property and Societal Evolution in Adam Smith

Upon this subject he followed the plan that seems to be suggested by Montesquieu; endeavouring to trace the gradual progress of jurisprudence, both public and private, from the rudest to the most refined ages, and to point out the effects of those arts which contribute to subsistence, and to the accumulation of property, in producing correspondent improvements, or alterations in law and government.<sup>1</sup>

Scottish legal theory in the eighteenth century was largely dominated by two approaches: the "institutional" approach, bequeathed by such writers as Stair and Erskine, who conceived of law as the dictate of reason and which falls, broadly speaking, into the general tradition of rationalistic natural law;<sup>2</sup> and the "moral" approach, associated with Kames, Smith and Millar, which views law as originating in the circumstances of society, and which may, therefore, be regarded as a broadly sociological approach akin to that developed by Montesquieu in De L'Espirt des Lois (1748).<sup>3</sup> As Duncan Forbes has pointed out, whilst Montesquieu's treatment of law was sociological, it was also essentially static, whereas the principal innovation of these "moral"

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- (1) Stewart, Dugald, Account of the Life and Writings of Adam Smith, LL.D., ed. Ross, I. S. in Smith, Adam, Essays on Philosophical Subjects (EPS), eds., Wightman, W. P. D. and Bryce, J. C., Glasgow Edition of the Works and Correspondence of Adam Smith, (Oxford, Clarendon Press, 1980), I.19.
- (2) See, Stein, Peter, "Legal thought in eighteenth century Scotland", Juridical Review, 1957, pp 1-20; "The general notions of contract and property in eighteenth century Scottish thought", Juridical Review, 1963, pp 1-13; "Law and Society in Eighteenth-Century Thought", in Phillipson, N. T., and Mitchison, Rosalind (eds.), Scotland in the Age of Improvement, (Edinburgh, Edinburgh U.P., 1970), pp 148-68; MacCormick, Neil, "Law and Enlightenment", in Campbell, R.H., and Skinner, A.S., (eds.) The Origins and Nature of the Scottish Enlightenment, (Edinburgh, John Donald Publishers, 1982), pp 150-166; and Horne, Thomas A., "Moral and Economic Improvement: Francis Hutcheson on Property", History of Political Thought (HPT), vol VII, 1986, pp 115-130.
- (3) This distinction between "institutional" and "moral" writers is borrowed from Stein, ops.cit. See also, Bryson, Gladys, "Some Eighteenth-Century Conceptions of Society", The Sociological Review, vol.31, 1939, pp 410-421, where she considers the fact that the moral philosophers were principally engaged in an examination of the "life of man in society", and were concerned as such, with "the origin and constitution of man, the origin and functioning of his institutions, and the progress man had made", p. 405.

writers seems to have been the incorporation into this framework of a dynamic element in the form of the four stages theory of societal development.<sup>1</sup> Changes in the law could, as it were, then be traced to and be explained by reference to processes in the evolution of society, though as we shall see with Adam Smith, the influence is not always one way.

The principal aim of this chapter will be to consider the relationship between Smith's conception of the origin and evolution of property and the role of the four-stages thesis within that conception, both in the Lectures on Jurisprudence, and the Wealth of Nations.

Since most of the pronouncements made by the author on the subject of property are found within his treatment of natural jurisprudence, section one will consider the connection between justice and property. In section two, we will examine the role of the four-stages thesis, and the place of ideas about property within that thesis. In section three, we will focus on Smith's attempt to illuminate the ways in which a legitimate title to property may be generated; whilst in section four, we will examine the relationship between property differentiation, government, and authority.

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(1) Forbes, Duncan "'Scientific' Whiggism: Adam Smith and John Millar", Cambridge Journal, 1954, p. 646.

Section 1: The General Framework of Smith's Theory of Property.

As the epigraph at the outset of this chapter suggests Smith's conception of justice and his notion of the nature and evolution of property were closely related. In fact, in the Wealth of Nations, he even goes as far as to identify the "exact administration of justice" specifically with the preservation of property,<sup>1</sup> a view which echoes the earlier sentiment expressed in The Theory of Moral Sentiments that justice is "the main pillar that upholds the social edifice (which) ... if removed, the great, the immense fabric of human society ... must in a moment crumble into atoms".<sup>2</sup>

The question is, therefore, what did Smith understand by the notion of justice, and how exactly does it relate to the preservation of property?

Justice has two dimensions in Smithian theory: it may be commutative or distributive. Commutative justice relates to perfect rights, defined by Smith as those "which we have a title to demand and if refused to compel another to perform".<sup>3</sup> Perfect rights are characterized, therefore, by their enforceability. Distributive justice, by contrast, refers to imperfect rights, delineated as "those which ought to be performed to us by others but which we have no title to compel them to perform".<sup>4</sup> Imperfect rights are, therefore, moral obligations or duties, worthy of social approbation but incapable of legal enforcement.

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(1) WN. V. i. b. 1-2.

(2) TMS.II.3.4.

(3) LJ(A).i.14. Smith compares this, in TMS, to the Grotian concept of justitia expletrix, or expletive justice. TMS.VII.ii.I.10.

(4) LJ(A).i.15. This is compared, in TMS, to the Grotian concept of justitia attributrix, or attributive justice. TMS.VII.ii.I.10.

Since Smith characterizes property as a perfect right the species of justice with which we are concerned is commutative justice.<sup>1</sup>

Justice is represented as both "security from injury", and as the "foundation of civil government".<sup>2</sup> It is, as it were, a negative virtue; it is because injustice causes positive harm that it is made the subject of prohibitory rules. The rules of justice define men's rights by enunciating which actions may be conceived as constituting injuries against them.<sup>3</sup> What is actually recognised as an injury at any point in time depends upon the judgement of Smith's "impartial spectator", thus injuries may be regarded as historically specific, only definitive at that very point in time, of the rights and laws of a particular society.<sup>4</sup> The rules of justice, however, are "accurate in the highest degree, and admit of no exceptions or modifications", resembling as they do the rules of grammar, "precise, accurate, and indispensable".<sup>5</sup> This aspect of universality relates not to the actual contents of the administration of justice, but to the procedures for arriving at those contents.

It is an intrinsic feature of human psychological make-up that pain is regarded as a "more pungent sensation than pleasure", and that in consequence, "our sympathy with pain ... is generally a more lively and distinct perception than our sympathy with pleasure".<sup>6</sup> The infliction

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- (1) Henceforth, we will designate commutative justice as "justice" and distributive justice as "beneficence" following Smith's normal usage.
- (2) LJ(B).5.
- (3) Haakonssen, Knud, The Science of a Legislator: The Natural Jurisprudence of David Hume and Adam Smith (Cambridge, CUP, 1981) p.100. cf Hont, Istvan, and Ignatieff, Michael, "Needs and Justice in the Wealth of Nations: an introductory essay", in Hont and Ignatieff (eds.) Wealth and Virtue. The Shaping of Political Economy in the Scottish Enlightenment, (Cambridge, CUP, 1983) pp.24-25.
- (4) cf, Haakonssen, op.cit., pp.100-101.
- (5) TMS.III.6.10; TMS.III.6.11.
- (6) TMS.I.iii.2.3.

of pain and injury necessarily elicits sentiments of resentment, resentment which Smith regards as a natural defence mechanism<sup>1</sup>, and which provides the foundation for punishment and the attribution of responsibility. Punishment is, he declares, "the natural consequence of resentment".<sup>2</sup> If the impartial spectator - the viewpoint from which moral and juridical decisions are taken - can sympathize with the feelings of injury, then the contents of the rules of justice can be defined.<sup>3</sup>

In section three we will consider the question of property and justice in terms of the legitimate basis for the generation of property rights. For the moment, however, we will focus on the issue of Smith's conceptualization of the right of property in the Lectures on Jurisprudence.

Property, for Smith, constituted a "perfect right", which it is the express end of justice to maintain. Within the general framework of commutative justice, Smith's treatment of the development of property as a legal convention falls within his analysis of private law, which covers those injuries sustained by man qua man, in respect of his person, his reputation and his estate. Property rights are subsumed under

man's rights of estate. Estate is broadly defined by the author as:

What he has in his immediate possession, not only what he has about his own person as his cloaths, etc., but whatever he has a claim to and can take possession of in whatever place or condition he finds it. A man has a real right to whatever vindicari potest a quocunque possessore. Or secondly, what is due to him either by loan or by contract of whatever sort, as sales, etc. The first we call real rights or a right to a particular thing. The second is called a personal right or a right against a particular person.<sup>4</sup>

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- (1) TMS.II.ii.1.4.
  - (2) TMS.II.ii.1.5.
  - (3) TMS. passim.
  - (4) LJ(A).i.16.

Property forms only part of the conception of estate envisaged by Smith. Indeed, the Roman law concept of a full right of property (dominium) employed by the author comprises only one, albeit the most important, of the real rights held by man.

Dominium is delimited by Smith in the following way:

By this a man has the sole claim to a subject, exclusive of all others, but can use it himself as he thinks fit, and if he pleases abuse or destroy it. By this right, if any subject be lost or abstracted from the right owner he can claim it from any possessor ... Property is to be considered as an exclusive right by which we can hinder any other person from using in any shape what we possess in this manner.

A principal characteristic of the real right of property is, therefore, the notion of exclusivity, that is, the capacity to prevent others from using what we own. It is the notion of an exclusive privilege that forms the foundation of Smith's other categories of real right.

In addition to categorising rights as real or personal, Smith also discriminates between those real rights which are "natural" and those which are "adventitious".

The rights which a man has to the preservation of his body and reputation from injury are unambiguously denoted natural rights. The question of a man's rights of property is, however, more problematic. There is no axiomatic reason why "anything which may suit another as well or perhaps better than it does me, should belong to me exclusively of all others barely because I have got it into my power".<sup>2</sup> For Smith property is not a natural right - but an adventitious right requiring justification.

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(1) LJ(A).i.16.

(2) LJ(A).i.25.

The case for such justification is rendered more urgent by the fact that men could, alleges Smith, live together with some "tolerable degree of security" in the absence of a civil magistrate to administer justice were it not for the development of property. "Prudential considerations" alone would normally be sufficient to restrain men from injuring one another in body and reputation.<sup>1</sup> With property, however, the case is different. Whereas in the former case the commission of injury confers no tangible benefit on the malpractor, in the instance of infringements of the right of property "the benefit of the person who does the injury is often equal to the loss of him who suffers it."<sup>2</sup> Man has, as it were, a substantial incentive to abrogate the right of property. And so, the avarice and ambition of the rich, together with the "hatred of labour and love of present ease and enjoyment" of the poor, "are the passions which prompt to invade property", passions which are both steady in their operation and universal in their influence.<sup>3</sup>

In order to prevent deprivations on property, therefore, an established system of justice is required - one which both defines the legitimate bases of property acquisition, and provides for the redress of grievances. Thus, Smith concludes:

Property and civil government very much depend on one another. The preservation of property and the inequality of possession first formed it, and the state of property must always vary with the form of government. 4

It is at this point that Smith specifies the ways in which a right of property may be acquired, the traditions being occupation, accession, prescription, succession and voluntary transfer, each of

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- (1) WN.V.i.b.2.
  - (2) WN.V.i.b.2.
  - (3) WN.V.i.b.2.
  - (4) LJ(B).11.

which affects both the extent of the powers of the property-holder and the extensiveness of the operation of the right of property vis-à-vis prospective objects of property. It is also in this context that Smith first introduces us to his version of the stadial thesis much employed by the writers of the Scottish Enlightenment. This thesis is founded on the assumption that society may normally be expected to progress through four separate and identifiable stages defined in terms of the prevailing mode of subsistence.<sup>1</sup> Before going on to examine the way in which the right of property is alleged to have evolved, we intend in the next section to consider briefly the significance attached to the four stages hypothesis, and to assess its purpose within Smithian theory.

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- (1) The literature on the four-stages thesis, and Smith's conception of history in general, is extensive: c.f., Pascal, Roy, "Property and Society: The Scottish Historical School of the Eighteenth Century", Modern Quarterly, 1938, vol 1, pp. 167-179; Meek, R.L., "The Scottish Contribution to Marxist Sociology", in Economics and Ideology, (London, Chapman and Hall Ltd., 1967) pp. 34-50; "Smith, Turgot and the 'Four-Stages Theory'", History of Political Economy (HOPE) 1971, vol 3, pp. 9-27, "New Light on Adam Smith's Glasgow lectures on Jurisprudence", HOPE, 1976, vol 8, pp. 439-477, Social Science and the Ignoble Savage, (Cambridge, CUP, 1976); Skinner, A. S., "Economics and History - The Scottish Enlightenment", Scottish Journal of Political Economy, (SJPE), 1965, pp. 1-22, "Adam Smith: an Economic Interpretation of History", in Skinner, A.S., and Wilson, T., (eds.), Essays on Adam Smith, (Oxford, Clarendon Press, 1975), pp. 154-178, A System of Social Science. Papers relating to Adam Smith, (Oxford, Clarendon Press, 1979) pp. 68-103, "A Scottish Contribution to Marxist Sociology?" in Bradley, Ian and Howard, Michael (eds.), Classical and Marxian political economy, essays in honour of Ronald L. Meek, (London, Macmillan, 1982) pp. 79-114; Forbes, Duncan, "'Scientific' Whiggism"; "Sceptical Whiggism, Commerce and Liberty", in Skinner and Wilson (eds.), op.cit., pp. 179-201; Hollander, Samuel, "Historical Dimension of the Wealth of Nations", in O'Driscoll Jr., G. P. (ed.), Adam Smith and Modern Political Economy. Bicentennial Essays on the Wealth of Nations, (Iowa, Iowa State U.P., 1979) pp. 71-84.

Section 2: Property Differentiation, A Defining Characteristic of the  
Stadial Hypothesis.

Ronald Meek, in the article, "New Light on Adam Smith's Glasgow lectures on Jurisprudence", suggests that:

At the time of the Anderson notes<sup>1</sup> Smith was still using his stadial theory more or less exclusively in connection with the problem of changes in the state of property, and had not yet fully succeeded in separating the mode-of-subsistence "basis" from the state-of-property "superstructure". As his ideas developed, we may ... surmise, this distinction was more clearly made. 2

It will be the intention of this section to show that Meek is, in fact, mistaken, and that Smith continued to employ the stadial thesis as a referential framework for his views on property. It will also be argued that Smith did not separate out ideas about the so-called "state-of-property" from ideas about the nature of the stages identified by him, and that to some extent he actually considered the nature of the prevailing system of property as definitive of the nature of the stage itself.

The major problem in isolating Smith's purpose in delineating the four stages theorem is that his initial postulation of that theorem avoids reference to any factors other than the means of acquiring subsistence.

Smith, in line with the other members of the "Scottish historical school,"<sup>3</sup> identified four stages of societal development, namely,

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- (1) A set of lecture notes purportedly recounting lectures delivered by Smith at the University of Glasgow during the session 1751-2, or 1752-3. The dating is Meek's. See art.cit., pp.454-461 especially.
  - (2) ibid., p.466.
  - (3) The phrase derives from Roy Pascal, "Property and Society" pp 167-179. Pascal identifies amongst the members of this school, Adam Smith, Adam Ferguson, John Millar, William Robertson, and a number of Scottish dignatories of the time, such as Lord Kames, Hugh Blair and James Dunbar

"hunting, pasturage, farming, and commerce",<sup>1</sup> with the first two normally exemplified by the paradigmatic North American Indian, and Tartar and Arabian tribes respectively.

"If", Smith surmises, "a number of persons were shipwrecked on a desert island their first sustenance would be from the fruits which the soil naturally produced, and the wild beasts which they could kill."<sup>2</sup>

But, as population increased, and the spontaneous products of nature were insufficient to support the burgeoning population, recourse would be had to the domestication of animals. Likewise, when population again outstripped the capacity of the prevailing mode of subsistence to maintain it, recourse would again be had to an alternative method, this time agriculture.

When a society becomes numerous they would find a difficulty in supporting themselves by herds and flocks. Then they would naturally turn themselves to the cultivation of land ... and by this means they would gradually advance in to the age of agriculture. 3

Up to this point Smith suggests that it is the growth of population, and the concomitant incapacity of the prevailing means of subsistence to cope with that growth, that spurs man on to develop alternative means of support.<sup>4</sup> Scarcity provides, therefore, the contingent necessity for evolution. It is a contingent necessity for the simple reason that there is always the possibility that such conditions of scarcity may never arise. In such a case society may be locked into one particular

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(1) LJ(B).149.

(2) LJ(B).149.

(3) LJ(A).i.30.

(4) The interaction of population and the means of subsistence was to become a major preoccupation of classical political economy from the time of Malthus on. See Chapter 4.

stage indefinitely.<sup>1</sup>

The move to commercial society is not explicated in terms of scarcity at all. Commerce does not follow on from agriculture because the latter cannot sustain human life. Rather the growth of commerce originates in the development of the division of labour, conceived at this stage in the Lectures as basic specialisation of employment. Smith's conception of the division of labour is important since it is utilised by him, as we shall see in the next chapter, to justify, or legitimate the gross disparities in the distribution of wealth typical of civilised societies, on the grounds that the standard of living of the poorest inhabitants of commercial societies is considerably better than that of their counterparts in the ruder ages of society.<sup>2</sup>

Initially exchange would be confined to swapping the surplus produce of labour. Gradually this would be extended to international exchange, at which point the age of commerce can be regarded as well and truly established.

This movement through the four stages of hunting, pasturage, agriculture and commerce represents for Smith the normal full pattern of evolution.<sup>3</sup> This brings us to an interesting question concerning the function and role of the four-stages hypothesis within Smithian theory. Ronald Meek in a review of David Reisman's book, Adam Smith's Sociological Economics, commenting on the alleged ubiquity in Smith's work of a causal link between the economic base and the social superstructure, observes that:

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- (1) The Tartars, Smith argued, were locked in the shepherd stage because of their geography.
  - (2) See Chapter 2, section 1, pp. 78-83.
  - (3) Smith did acknowledge exceptions to this pattern. Thus the North American Indians, the paradigm hunters, whilst having no conception of pasturage, did have some notions of agriculture, albeit limited and unsophisticated notions. Cf. LJ(A).i.29, and LJ(B).150.

Those of us who have noticed the importance of these elements in Smith's work, but have hesitated about committing ourselves to a term as extreme as economic determinism, need hesitate no longer. 1.

Taken together with the view expressed in his book Social Science and the Ignoble Savage, that Smith actually emphasizes "the process whereby society moves from one stage to the next"<sup>2</sup>, we are led to the conclusion that Meek regards Smith's utilisation of the stadial theorem as an explanation for the process of development,<sup>3</sup> and that it is changes in the economic base that determine changes in the socio-politico-legal superstructure.<sup>4</sup>

Whilst it is clear that Smith was interested in the problem of historical development; and whilst the foregoing discussion appears to imply that Smith regarded the economic factor (scarcity) as the motor of change, it is our contention that the four-stages theory does not actually explain societal development. Rather, following Skinner's "comparative statics" argument, it is our view that the four-stage theory evolved as a comparative taxonomic structure.<sup>5</sup>

The argument from economic determinism fails to take account of a number of factors considered equally influential in historical development. Firstly, Smith recognised that factors such as geography or climate could prevent a society progressing beyond any particular stage, thus the Arabs and Tartars are locked in the age of pasture.<sup>6</sup> Secondly, law and government, and indeed politics per se, are rendered epiphenomenal,

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- (1) Cited in Skinner, "A Scottish Contribution to Marxist Sociology?" p.86.  
 (2) Meek, op.cit., p. 118  
 (3) cf., Skinner, "A Scottish Contribution to Marxist Sociology?", pp.90-99.  
 (4) cf., Hollander, "Historical Dimension of the Wealth", p. 73, who declares the prevailing mode of subsistence "determines the legal and institutional framework".  
 (5) Skinner, art.cit., p.87.  
 (6) cf., LJ(A).iv.53 and LJ(B).30.

to economic forces. As Donald Winch notes, the "further one goes towards determinism the smaller the scope allowed for autonomous political action",<sup>1</sup> and as we shall see in Section 4(ii) when we consider the evolution of primogeniture and entail, it was acts of political expediency and historical accident that generated these laws of property, not economic factors.

Thirdly, it is also of note that where Smith discusses the origins of societal change - as, for example, in his analysis of the emergence of commercial society in Modern Europe<sup>2</sup> - his account is always within a specific, and actual historical context - in this instance, the context of the "origins and nature of the present establishments in Europe"<sup>3</sup> - and not within the framework of the intellectual construct of the four-stages thesis. Thus a distinction can be made between the picture of actual historical events supplied by Smith, and his statement of the four-stages thesis.<sup>4</sup>

The utility of this periodisation model can best be understood in terms of a means of delineating all the characteristics broadly constitutive of each stage of development - including the nature and concepts of property prevalent therein - in order to compare and contrast the types of socio-economic structure in existence at any point in time.<sup>5</sup>

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(1) Winch, Donald, Adam Smith's Politics; An Essay in Historiographic Revision, (Cambridge, CUP, 1978), p. 20.

(2) See especially, WN.III.

(3) Skinner, "A Scottish Contribution to Marxist Sociology?" p. 93.

(4) cf. ibid., pp. 87, 93, 99.

(5) This is, generally speaking, what Skinner means by the technique of "comparative statics". Reference is made to the factors determining the "equilibrium" position, but not to the process of adjustment by which such a position is reached. cf., ibid., pp. 79 ff.

Thus, as Skinner observes in his article, "Adam Smith: an Economic Interpretation of History",

Smith's use of the economic stages which are offered as general categories in terms of which the experience of different peoples can be interpreted rather than as templates to which that experience must be made to conform. 1.

The four-stages thesis operates as a broadly referential framework, therefore. Since this study is primarily concerned with ideas about property, it is to the specific relationship of those ideas about property to the stadial theorem that we now turn.

As we noted at the outset of this section, Ronald Meek alleged that ideas about property are somehow separable from ideas about the nature of the prevailing mode of subsistence. One question this particular chapter will address, therefore, is whether or not it is possible to identify and typify each of those various stages without reference to the forms of property discernible therein. It is our conclusion that it is not possible to so do. Rather, it will be argued, the main value of the four-stages thesis, as a comparative taxonomic framework, lies in its capacity to illuminate a number of questions relating to the origin and evolution of the institution of property.

The four-stages thesis is significant to Smith's conception of property in three ways which will be treated in separate sections of the present chapter.

In the remainder of this section we intend to focus on the notion that the differentiation of types and forms of property constitutes a principal determinant of the nature of the prevailing stage of development.

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(1) ibid., p 175.

In Section 3, we will consider the way in which modes of acquiring property are conceived as stadially specific in origin and operation, whilst in section 4, we will examine the nature of the connection between the differentiated private property structure, and the origin and evolution of the institutions of law and government, and the prevailing authority/dependency structure.<sup>2</sup>

As man progresses, more or less uniformly through the stages outlined by Smith, so the types of property relations and modes of acquiring property typical of those stages vary. It is the aim of the rest of this section to demonstrate that it is the manner in which property is actually differentiated that constitutes a principal defining characteristic of each stage of development.

Hunting society is characterised essentially by the absence of property. What is called property amongst hunters is conceived to "end as well as begin with possession".<sup>3</sup> Hunters have reputedly no idea of "any thing as their own which is not about their own bodies", that is, their notions of property are delimited by their clothing, and the instruments necessary to their labour.<sup>4</sup> Once an object ceases to be in

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(2) The idea that Smith explicitly links the differentiation of private property, the origin of government and authority relations is, of course, not new. See for example, the writings of Andrew Skinner cited throughout this chapter. See also Neil MacCormick, "Law and Enlightenment", in R.H. Campbell and A.S. Skinner (eds.), The Origins and Nature of the Scottish Enlightenment, (Edinburgh, John Donald Publishers Ltd., 1982,) pp.150-166. MacCormick notes that: "It is common among Adam Ferguson, Adam Smith, and John Millar that the development of a pastoral economy (replacing the most primitive human form, that of Smith's 'nations of hunters and fishermen') first leads to a differentiation of private property, which in turn requires forms of government and coercive law-enforcement, to protect the haves from the have-nots, and that always forms of economic change and development interrelate with development in private and public law as well as in manners and morals." (p.160)

(3) LJ(A).i.41

(4) LJ(B).150.

their actual physical possession, they no longer regard it "proprietary-ly". As such their lack of regard for theft means that jurisprudential regulations concerning the acquisition and administration of property are practically non-existent. Occupation constitutes the only legitimate mode of acquiring property.<sup>1</sup>

It is in the age of shepherds that a right of property is conceived to begin. Thus it is the move from the age of hunters to the age of shepherds that forms the constitutive move in the development of a right of property. This forms "of all others the greatest in the progression of society", for the simple reason that "by it the notion of property is extended beyond possession to which it was in the former state confined".<sup>2</sup>

The transition to the appropriation of herds, and consequently their removal from the common, carries with it an extension in ideas about property, both in terms of the types of object capable of acquisition, viz., animals, and of the powers invested in the property-holder.

In the age of hunters, proprietary notions required the object in question to be in the actual possession of the agent; in the age of shepherds, this is no longer necessary. Men not only consider the things they carry about them as their own, but also "what they have deposited in their hovels". Likewise, since any proprietor of a largish flock "could not have all those animals about him he had tamed",<sup>3</sup> the idea of property was initially extended to encompass all those animals who "retain'd the habit of returning into his power at certain times",<sup>4</sup> and ultimately after the "generality of beasts are occupied", it was extended to include all those animals previously appropriated whether they continued to return or not.<sup>5</sup>

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(1) cf., section 3(i), pp.31-35 of this chapter for an analysis of occupation.

(2) LJ(A).ii.97.

(3) LJ(A).i.45.

(4) LJ(A).i.46.

(5) LJ(B).151.

The shepherd age is differentiated in part, therefore, by the evolution of the notion of property in animals, and in part, and perhaps more significantly, by the development of a generally-recognised right of property. The need for a general recognition of this right is generated by the conflicts arising from the uneasy initial co-existence of two contrary and ultimately antipathetic modes of acquiring subsistence, namely, hunting and pasturage. The livelihood of the hunter is contingent upon the commonality of the beasts he hunts, whereas the existence of the shepherd is dependent on the very individuation of those beasts. Societal recognition of a right of property in animals sounds to some extent the death-knell of the age of hunters, a theme implicit throughout the Lectures.<sup>1</sup> The general decline of hunting as the prevailing mode of subsistence is further hastened by the evolution of property by accession.<sup>2</sup> The immediate attribution of the young of the herd, to the owner of the herd, compounds the problems attendant on hunting, and as we shall see shortly, assists in the generation of inequality of possessions, leading to inequality in the distribution of power.<sup>3</sup>

The extension of the concept of property to include animals contains within it the seed of the origin of land as an item of property. Smith observes that, "When this is once established, (it) is a matter of no great difficulty to extend this from one subject to another, from herds and flocks to the land itself".<sup>4</sup>

Despite this assertion, however, in the age of shepherds, ideas about property would not have been extended to the land. Although the life of the shepherd meant frequent changes of location, he had only

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(1) cf. LJ(A) passim and LJ(B); and Haakonssen, op.cit., pp 157-159.

(2) See Section 3(ii), pp. 35-37.

(3) See section 4(ii) pp. 54-57.

(4) LJ(A).ii.97.

temporary use-rights over the land. Indeed shepherds would not, Smith assures us somewhat contradictorily, "easily conceive a subject of such extent as land is, should belong to an object so little as a single man."<sup>1</sup> Rather, it would more likely be regarded as the province of the entire nation. This suggests that Smith envisaged some kind of tribal division of the land, but again the concept of property in land is "conceived to continue no longer in a private person than he actually possessed the subject. A field that has been pastured on by one man would be considered to be his no longer than he actually staid on it."<sup>2</sup>

This reinforces the view that an individual has an individuated use-right only whilst he is pasturing his herds there, and that at the very moment that he ceases, any newcomer may occupy the field, and exercise the same right.

The inauguration of private property in land would normally proceed with the advent of agriculture, though the existence of individual, exclusive and absolute property rights in the land will probably in fact commence some time after the beginning of farming as the primary mode of subsistence. "Property received its greatest extension from agriculture", the author declares.<sup>3</sup>

Initially the cultivation of the land would not entail its appropriation. The entire community would cultivate a piece of ground, usually that contiguous to their hovels. Land would be held in common, with the produce of that land divided amongst all those concerned, either according to the numbers in each family, with considerations of

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(1) LJ(A).i.49.

(2) LJ(A).i.49-50.

(3) LJ(B).151.

rank borne in mind<sup>1</sup>, or equally, as stated in the 1766 version of the lectures.<sup>2</sup>

"The inclination of any single person would not be sufficient to constitute his property in any parcel of land ... the rest of the community would cry out against him as incroaching on and appropriating to himself what ought to be in common amongst them all".<sup>3</sup>

The ultimate decision to parcel out land is linked by Smith with the development of fixed habitations and the growth of cities. Since the land men cultivate would normally be that lying next to their fixed abodes, they would probably determine, no doubt in the interests of utility, that it would be easier to "make a division of the land once for all, rather than be put to the unnecessary trouble of dividing the product every year",<sup>4</sup> and thus private property in land originates in a conscious decision of the principal persons in a community to divide the land up, and is posterior to its initial cultivation.<sup>5</sup>

Whilst it appears that "moveable property may be occupied from the first beginnings of society ... lands cannot be occupied without an actual division."<sup>6</sup>

The evolution of rights of property in the land has, as we shall see in the section on the relationship of property to law and government, far-reaching implications for the kind of authority/subordination relations operating in society.

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(1) LJ(A).i.50.

(2) LJ(B).151.

(3) LJ(A).i.50.

(4) LJ(A).i.51.

(5) This explanation of the conjectured origin of property in land is distinct from the picture of the actual evolution of landed property described by Smith regarding Europe. See section 4(ii).

(6) LJ(B).150.

The commercial age is the most problematic for us in terms of the type of property regarded as differentiating it from earlier stages. In the Lectures, Smith spends comparatively little time delineating the kinds of property discernible within this type of society. However, it is possible to surmise that the commercial age was envisaged as one in which both the objects capable of appropriation, and the rights subsumed under the general heading of property rights, may be deemed to have proliferated. Thus, Smith suggests, "in the age of commerce as the subjects of property are greatly increased the laws must be proportionally multiplied."<sup>1</sup>

It may also be conjectured that the number of property owners may in fact be greater than at any other period, since most men will live, in one way or another, via the process of exchange. Given also that the division of labour is supposed not only to lead to greater productivity but also to greater diversification and invention, it also seems likely that the number of objects available for acquisition will be at its greatest.

As MacCormick points out, the commercial society is founded essentially upon "manufacture for exchange in a market economy", and as such a more "sophisticated law of contract as well as of property" will presumably be generated.<sup>2</sup>

Similarly, since much production will be devoted to the manufacture of luxury goods, and since in consequence the expenditure of much wealth will be directed to the purchase of such goods, the replacement of the service nexus, typical of earlier ages, by a cash nexus, will also ensure that the power conferred by wealth will be less concentrated or absolute than previously.

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(1) LJ(A).i.34-5.

(2) MacCormick, art. cit., p.160.

It has been the purpose of this section to show that the kinds of property discernible within each stage of societal development vary in form. Thus Smith typifies the hunting age by property in a few personal goods; the shepherd age by property in herds and flocks; the age of agriculture by property in land; and the age of commerce by the emergence of manufacturing and luxury goods. In this way society sees a progressive extension in the range of goods capable of appropriation.

In addition to this, Smith also utilises the notion of an extension in the nature of property to refer to alterations in the right of property. So the hunting age is characterized by possession, whilst the age of shepherds is typified by the beginnings of a generally recognized right of property. It will be the aim of the next section to examine (i) the successive development throughout societal advancement of alternative modes of acquiring property; and (ii) the gradual emergence of the full right of property referred to at the start of this chapter.

### Section 3. Modes of Acquiring Property

In this section it will be our aim to elucidate Smith's conception of the means by which property can be acquired. Although much of the substantive interest in this area derives from his depiction of actual historical developments, we intend, as far as possible, only to focus on the analytical framework underlying that depiction. In the Lectures<sup>1</sup> Adam Smith isolates five separate traditions of entitlement: occupation, accession, prescription, succession, and voluntary transfer, of which only the first - occupation - generates an original title to property, each of the others creating contingent rights. It is to occupation that we now turn.

#### (i) Occupation

Occupation is defined by Smith as the "taking possession of what formerly belonged to nobody".<sup>2</sup> It is, as it were, original possession; and is regarded by the author as the original mode of acquiring property, the root of all other property rights. But, Smith inquires, how does the "bare possession of a subject" generate an exclusive right of property to that subject? Why is it that:

a man by pulling an apple should be imagined to have a right to that apple and a power of excluding all others from it - and that an injury should be conceived to be done when such a subject is taken for (sic) the possessor?<sup>3</sup>

In answering these queries Smith has recourse, as we have seen, to an argument postulated principally in The Theory of Moral Sentiments concerning justice, and the concept of the "impartial spectator."<sup>4</sup>

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(1) This is the only place where Smith examines in any depth the issue of property independent of considerations of government and authority. cf. LJ(A).i.25-ii.13 and LJ(B).149-171.

(2) LJ(B).149

(3) LJ(A).i.35. "For" presumably means "from".

(4) TMS.II.ii.1.5.

The impartial spectator represents the viewpoint from which moral and juridical judgements are made. In this instance the spectator must determine what comprises grounds for both legitimating the "first possessor in defending and even avenging himself when injured",<sup>1</sup> and thus enunciate what represents an injury in respect of a right of property. In other words, the spectator must determine the just basis for a title to property. Since spectator approval forms the basis of a just right, occupation, for example, will only be deemed well-founded if "the spectator can go along with my possession of the object and approve me when I defend my possession by force".<sup>2</sup> If the spectator can sympathize with the possessor, then the title will be considered legitimate. The only basis for such sympathy is the notion of "reasonable expectation".

"The reasonable expectation therefore which the first possessor furnishes is the ground on which the right of property is acquired by occupation".<sup>3</sup>

Reasonable expectation forms the basis not only of occupation-based rights, but in various guises, that of other rights of property dealt with by Smith,<sup>4</sup> which suggests that the criteria on which it is based are historically variable, though it may be assumed that one universal attribute of such criteria is that they operate antecedent to the legitimation of the relevant property right. In the case of Smith's treatment of occupation in the Lectures, the expenditure of labour appears to furnish the basis of such expectation, for the author notes:

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(1) LJ(A).i.36.

(2) LJ(B).150.

(3) LJ(A).i.37.

(4) See especially the sections on prescription, pp.37-40 and legal succession, pp.40-44.

You may ask indeed, as this apple is as fit for your use as it is for mine, what title have I to detain it from you. You may go to the forest (says one to me) and pull another. You may go as well as I, replied I. And besides it is more reasonable that you should, as I have gone already and bestowed my time and pains in procuring the fruit. 1.

This intimation that it is the disutility of labour that generates a reasonable expectation of use to the object so acquired both echoes the view previously advanced by Smith in the Anderson notes that, "To deprive a man of the beast or fish he has caught, or of the fruit he has gathered, is depriving him of what cost him labour and so giving him pain, and is contrary to the laws of the rudest society",<sup>2</sup> and that later explicated in the Wealth.<sup>3</sup> It is because man has incurred the disutility incumbent on the expenditure of labour that he ought to be secured in the possession of the object so acquired, and supported in any attempt to rebutt incursions upon that property.

To this argument from labour, Smith also adds one from psychology, namely the notion of "attachment". Labour not only generates a title to property, but also leads to the formation of an attachment to that property, the intensity of which is proportioned directly to the intensity and duration of the labour requisite to the individuation of that property. This argument clearly has implications for the question of injury. Thus, "one does not form such an attachment to a thing he has possessed for a short time ... and acquired by little labour as he does to what he has got by great pains and industry."<sup>4</sup>

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(1) LJ(A).i.37.

(2) Anderson Notes, 1. See Haakonssen, Science of a Legislator, p.107, and Meek, "New Light on Adam Smith's Glasgow lectures", HOPE, p.467.

(3) cf. WN.V.i.b.2-3.

(4) LJ(A).i.60.

The injury experienced by a possessor in the latter circumstances upon the loss of his property would be necessarily greater than that in the former case. Thus it is the frustration of a reasonable expectation, by causing positive harm, that is regarded as the basis of an infringement of the right of property. That what constitutes an actual reasonable expectation varies, according to circumstances, is implicit within Smith's formulation of his theory of property within the stadial framework. However, the notion of "reasonable expectation" in an abstract, non-specific sense, renders coherent Smith's view of property by providing it with a universal criterion against which just (and unjust) actions can be measured.<sup>1</sup>

Occupation, for Smith, means first possession, and it is clear that in the absence of laws regulating property, which arise only in the shepherd stage, there must be some other defining characteristic of possession, or the relation of property in the hunter stage, and this is provided by Smith's use of the Humean concept of possession.<sup>2</sup> Hume defines possession in terms of causation - to possess something is to have power over it.<sup>3</sup> The utilisation of this concept enables both Hume and Smith to differentiate between possession and property. Possession requires that the possessor is in a position to exercise power over an object - the animal in the chase<sup>4</sup> - whereas property allows that something belongs to one whether it is in one's possession (and power) or not. And so the age of hunters is characterized by the fact that ideas about property extended no further than possession. "Property was",

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- (1) See Haakonssen, Science of a Legislator, pp.105-6. He views this notion of reasonable expectation as rendering coherent man's view of right and wrong.
- (2) This concept is significant also for Smith's treatment of prescription. See pp. 37-40.
- (3) Harrison, Jonathan, Hume's theory of justice (Oxford, Clarendon Press, 1981) p.82.
- (4) Smith illustrates his argument by reference to the argument between rival Roman juristic schools concerning the point in time at which property in an animal hunted in a chase may be seen to begin. Cf, e.g., LJ(A).i,38-44.

Smith notes, "conceived to end as well as to begin with possession."<sup>1</sup>

Occupation constitutes the original means of acquiring property, and as we shall see in the following sub-sections, all other modes are, in some sense, derivative.

(ii) Accession

The second method of acquiring property is through the process of accession or "the right to own one thing in consequence of another."<sup>2</sup> It is founded upon the supposition of a relationship of some kind between something already held as property, and another object.

Accession is interesting for a number of reasons. Initially, accession is a derivative right - it depends upon the pre-existence of a right of property based upon occupation. It is, therefore, historically absent from the hunting stage, appearing only in the age of shepherds, when a right of property, as opposed to possession, is viewed as originating.<sup>3</sup> Secondly, accession as a means of acquiring property extends the powers of the property-holder beyond those conferred by occupation, by affecting the range of objects to which it can apply.<sup>4</sup> Thirdly, the significance of the right is rendered most clearly by its influence in the agricultural stage.<sup>5</sup>

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(1) LJ(A).i.41. cf. LJ(B).150.

(2) LJ(B).149.

(3) LJ(A).i.64.

(4) LJ(A).i.64; LJ(B).152.

(5) LJ(A).1.66; LJ(B).152.

The right of accession is again legitimated in terms of the sympathy of the impartial spectator. The argument employed this time refers to propriety. It would be improper, Smith asserts, to sever the connection between an item of property and another object on which it has a dependence. And so, in the age of shepherds, the milk and young of the animals of a herd are ascribed to "the person who had tamed the animal."<sup>1</sup> Similarly in the age of agriculture, the division of land for cultivation makes sense only if this private right of property carries with it "a right to whatever it produces, trees, fruit, minerals, etc."<sup>2</sup>

The proprietary right generated by accession thus reinforces the strength of the original claim to the object from which the accession springs, reaffirming the present pattern of distribution. Accession to young animals strengthens the position of the present proprietor by precluding other claims to those young, and thus solidifying the basis of his power - the size of his herd.

The most important accessions, however, are those relating to land.<sup>3</sup> The manner in which landed property is distributed, and the relations of dependence generated by the exclusive individuation of that land and its produce have important ramifications for the system of authority prevalent at any one time.<sup>4</sup>

A right of property to the land that failed to carry with it a right to the produce of that land would be comparatively meaningless, whilst a right to the land that necessarily implies a right to its produce is of much greater significance, depending on the manner in which that land was parcelled out.

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(1) LJ(A).i.64.

(2) LJ(B).152-3.

(3) LJ(B).152.

(4) See section 4(ii), pp59-67 of this chapter.

Land is the primary source of subsistence, and thus access to it or its produce is vital to existence. In Smith's view, the original division of the land was simply an expedient agreed upon to obviate the need for a mass share-out of the annual crop at harvest-time. Whilst the holdings of land are fairly small, and most people have access to some land, disparities in wealth and power will be fairly small. However, with the advent of great proprietors, it is clear that the number dependent upon the landowner for a share of his crop will be great, and since man gives nothing for nothing, something must be exchanged for that share, investing the landowner potentially with great wealth, great power, or both. The implications of the argument from accession in relation to land, though somewhat tendentious, are significant for Smith's views on property, authority and power.<sup>1</sup>

Like occupation, therefore, accession is grounded in the sympathy of the impartial spectator. Unlike occupation, however, there is no labour-disutility/attachment dimension to accession-based rights of property.

(iii) Prescription

Like accession, the right of prescription is contingent upon the prior existence of occupation-based rights of property. However, where accession extends the rights of the existing de jure holder over his property, prescription is concerned with issues of long-term de facto possession of property by someone other than the 'rightful' owner, and thus with the establishment of the conditions under which such possession

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(1) Smith also considers those accessions below the soil which may be said to accrue to the owner of the land, treating, in passing, the problem of the rivalry between feudal and allodial law on this issue. Cf. LJ(A).i.66-68.

may be considered sufficient to transfer the legitimate title away from its legal owner - even in the face of the absence of any express derelinquishment of that title - to the actual possessor of long-standing.

Prescriptive claims appear once ideas about property extend beyond the conception of physical possession, to ideas of absentee ownership. Once property need no longer be in the "power" of its owner, the problem of occupation (qua possession) by non-owners arises. Thus:

After property was extended beyond possession, and goods were thought to remain in the property of the former possessor longer after they were out of his power, it was found necessary that some length of possession should transfer the right of property, that the possessor might be assured he had then a full right to the goods; otherwise property would always be uncertain. 1.

Maintenance of order and stability within the property system require, therefore, some kind of flexibility over distributive claims.<sup>2</sup> The title of the legitimate property-holder, and the expectation of continued enjoyment of the present occupant, must somehow be reconciled. Smith is seeking to elucidate how, and according to what principles, prescription may be deemed to create a right of property, and his answer is once more formulated in terms of the sympathetic reaction of the impartial spectator.

Prescription is founded on the "supposed attachment of the possessor to what he has long been possessed of, and the supposed detachment of affection in the old possessor to what has long been out of his possession".<sup>3</sup>

Smith is employing the same concept of "attachment" as he did in his elucidation of the principles guiding occupation. Just as the spectator enters into the expectation of the first occupant that he has

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(1) LJ(B).149. Cf also LJ(A).i.87.

(2) Haakonssen, op.cit., makes a similar claim, pp.108-9.

(3) LJ(B).154.

a legitimate claim to use, enjoy and defend his acquisitions, so the right of prescription is validated by the concurrence of the spectator that:

The possessor of a long standing has a just expectation that he may use what has been thus possessed, and that the former proprietor ...has so far lost all right to it, has no expectation of using it, as that it would appear injurious in him to deprive the present possessor.

1.

The formation of attachment - perhaps again proportioned to labour expenditure, particularly vis-à-vis land, the most important of all items acquired in this way - provides the referential framework for the reaction - validating or otherwise - of the impartial spectator. The form of the rules laid down by any legislative body to establish prescription are, of course, historically specific. Currently, however, they are four-fold: firstly, the existence of bona fides - the possessor must believe that he is the "lawful proprietor of the subject".<sup>2</sup>; secondly, justus titulus - the present occupant must have acquired the property in some lawful manner, as, for example, through purchase;<sup>3</sup> thirdly, possession must be uninterrupted, for "if the property have often been claimed of him the former possessor has not derelinqhished his right"<sup>4</sup>; and finally, that time is to be considered only when "there was a person to claim the property, and therefore the longest uninterrupted possession when the proprietor was a minor, a lunatic, or in banishment can give no right."<sup>5</sup>

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(1) LJ(A).i.77.

(2) LJ(A).i.77

(3) Cf. LJ(A).i.78 and LJ(A).i.86. This condition is especially important with respect to prescriptionbased claims to the land.

(4) LJ(B).154.

(5) LJ(B).154-155.

Just as the legal rules and procedures delineating prescription are historically variable, so too is the period of time which must necessarily elapse before a title can be conferred. Nature does not fix a precise time for the operation of prescription,<sup>1</sup> and in fact, practices vary according to the object claimed - land is more difficult to acquire in this way than moveables<sup>2</sup> - and according to the stability of property in a country.<sup>3</sup> Thus, "in the first periods of the Roman state, when society had made no great advances, and property was very uncertain, the composers of the 12 Tables thought a year sufficient time for prescription of moveables and two years in immoveables!"<sup>4</sup>

However, where property is more stable - that is, where the number and complexity of proprietary titles are greater - prescription must endure for a longer period. Again the exact criteria for the establishment of a right are situationally specific, though the general parameters are drawn by the operation of the system of sympathy outlined in the Theory of Moral Sentiments.

(iv) Succession

The fourth mode of acquiring property is succession which may be of two kinds - legal or testamentary. Smith's first task in this part of the Lectures is to establish the priority of legal over testamentary succession.

In contradistinction to Grotius and Pufendorf,<sup>5</sup> Smith denies that the basis of legal succession is the presumption that the law merely

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(1) LJ(A).i.80; LJ(B).155.

(2) LJ(A).i.78; LJ(A).i.86.

(3) LJ(B).155.

(4) LJ(A).i.80.

(5) See LJ(A).i.90-91; LJ(B).155-156.

distributes the goods of the deceased to those whom it might be supposed he would have nominated in a testament had he made one, declaring that such a state of affairs requires a degree of sophistication in ideas pertaining to property unknown amongst men in the early stages of societal development.

In a rude period a man had scarce the full right of property of his goods during his lifetime, and therefore it cannot be supposed then that he should have had a power to dispose of them after his death. 1.

And so it is that amongst hunters where ideas about property extend no further than possession, the notion of succession is non-existent, such personal possessions as had been accumulated being interred along with the dead. However, once a right of property was established in the shepherd stage, notions of intergenerational rights began to develop.

Since legal succession cannot be explicated in terms of the "supposed will of the deceased" as previously alleged,<sup>2</sup> Smith posits an alternative explanation for the origin of the legal right based upon labour expenditure and community of goods.

In the early stages of society succession is,

More founded on the connection of goods than persons. As fathers and sons<sup>3</sup> lived together and were joint acquirers of any property they had, when the father died the children had a joint right to the goods not so much on account of their relation to the father as on account of the labour they had bestowed on acquiring them.<sup>4</sup>

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- (1) LJ(B).156. Similarly the Tartars currently whilst practising succession have no idea about testaments. LJ(A).i.191.
- (2) Cf., Haakonssen, op.cit., p. 110.
- (3) LJ(A) has the "whole family" here. LJ(A).i.93.
- (4) LJ(B).156. Cf. LJ(A).i.93; and Anderson notes<sup>A</sup> "Children succeed to the goods of their intestate father, not on account of the parental relation, but on account of their connection with his goods, etc., i.e. they succeed by the 2nd principle", namely the labour-based, spectator-approved principle cited previously. Cf. Haakonssen, op.cit., p.110, n.58.

These goods, supporting the entire family during the lifetime of the head of the family, form their natural patrimony on his death. Thus it is the co-operation in labour of the family that creates a latent title, amongst all the members taken individually, to the produce of that labour. All those members of the family living outside this co-operative unit forfeit their claim to a share in the inheritance, on the grounds that "they ceased to co-operate with the rest in acquiring the goods."<sup>1</sup>

The implications of this so-called "natural law of succession" are of note in a number of ways.<sup>2</sup>

Description of the basis of legal succession avoids reference to the impartial spectator, though it may be possible to surmise that Smith conceived of the labour expended by the family as providing the foundation for a reasonable expectation of use sufficient to excite the sympathy of the impartial spectator, and to secure the family in their continued enjoyment of the fund from which they drew their sustenance.

The statement of this doctrine of a "natural law of succession", given the absence of reference to the theoretical framework of the Theory of Moral Sentiments appears to be redolent of Locke's delineation of the natural right of inheritance in the Two Treatises of Government. Simply stated, Locke argued that each child has, according to nature, an equal right to nourishment and maintenance, and as such a claim on the property of its parents both during their lifetime - in the sense that it may expect to receive adequate sustenance and comfort - and on their death - when each child may expect to receive an equal share of its father's estate.<sup>3</sup>

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- (1) LJ(B).156-7. Those omitted include emancipated, captive or exiled sons; sons given for adoption; and married daughters.
  - (2) WN.III.ii.3.
  - (3) The Second Treatise of Government, An Essay Concerning the True Original, Extent, and End of Civil Government (1689) I. § 88.

There are, however, a number of differences between the two statements. Smith founds his natural law of succession upon labour expenditure, whilst Locke argues that the natural right of inheritance originates in the duty mankind has to "preserve what they have begotten",<sup>1</sup> a duty which continues even after death. Thus "God Planted in Men a strong desire also of propagating their kind, and continuing themselves in their Posterity, and this gives Children a Title, to share in the Property of their Parents, and a Right to Inherit their Possessions".<sup>2</sup>

Also Smith limited the right of inheritance to those continuing to live and work en famille, whereas Locke applies his natural right equally to all progeny.

Common to both explanations, however, is an unresolved, and largely unexplored, tension between the unrestricted right of property invested in the owner of that property - in this instance the head of the family empowered to alienate or dispose of that property at will during his lifetime - and the family's expectation of maintenance from such property during the self-same period.<sup>3</sup> Claims of the family are subservient to the rights of the patriarch throughout the lifetime of the latter.

One further point concerning the operation of Smith's "natural law of succession" refers to its situational character. Only in the most primitive of societies<sup>4</sup> will such an egalitarian principle of inheritance operate. As society evolves factors such as the changing status of women,<sup>5</sup> the influence of religious attitudes,<sup>6</sup> and the operation

(1) Two Treatises, I, 88.

(2) ibid., I, 88. (Original emphasis)

(3) cf. Parry, Geraint, John Locke (London, George Allen & Unwin, 1978) p. 118.

(4) Definitely prior to the advent of testamentary bequests.

(5) cf. LJ(A).i.90-148; LJ(B).155-164, passim.

(6) LJ(A).i.90-148; LJ(B).155-164, passim.

of political factors all seem to modify, and ultimately to undermine, the application of the labour-based community of goods principle. One of the most significant actual historical developments within this context was the ancient practice of primogeniture. However, since the evolution of this convention has such close links with the theme of government, and authority relations, it has been deemed more pertinent to discuss it within that context.<sup>1</sup>

As we have seen the explanation of legal succession derives from a combined labour-spectator theory of property<sup>2</sup> designed to invalidate the claim that legal succession is based upon the supposed will of the deceased; and to demonstrate that testamentary succession is subsequent to legal succession. So "the right of succession ex testamento is one of the greatest extentions (sic.) of property we can conceive, and consequently would not be early introduced into society."<sup>3</sup>

Accepting that during his lifetime a man has absolute dominium over his property, which he may dispose of at will, Smith inquires into the rationale behind extending this unlimited right beyond a man's own lifetime, since testamentary succession implies the power of man "to dispose of a right when properly speaking he can have none himself".<sup>4</sup> Why is it that a community feels obliged to observe the directions of the deceased?

Pufendorf, Smith recounts, had justified such obligation in terms of the immortality of the soul. Smith, however, cannot concur. Rather, he returns, yet again, to the fundamental concept of spectator sympathy, noting that our respect for the wishes of the dead arises, from "our

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(1) See section 4(ii) pp. 64-67.

(2) Cf. Haakonssen, *op.cit.*, p 110.

(3) LJ(A).i.92. Cf LJ(B).164. "There is no extension of property so great as this, and therefore, it was long before it could be introduced."

(4) LJ(B).164.

lodging, if I may be allowed to say so, our own living souls in their inanimated bodies."<sup>1</sup>

(W)e enter as it were into his dead body, and conceive what our living souls would feel if they were joined with his body, and how much we would be distressed to see our last injunctions not performed. Such sentiments naturally enclined men to extend property a little farther than a man's lifetime.

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Thus, it is not so much what is actually willed that is important, but man's imagined sympathy with the reaction of the deceased "if he should look up from the grave and see things going contrary to what he had enjoined."<sup>3</sup> It is the imagined pain, contingent upon the disappointment of expectations, generated by the human capacity for empathy, that leads to the legitimation of testamentary bequests.<sup>4</sup>

This piety for the dead is, however, a considerable refinement in humanity, and would be absent from rude nations, suggesting that testaments originate later than other forms of succession.<sup>5</sup> In addition to this, however, the duration of that piety would be naturally circumscribed, extending only as far as bequests to immediate successors. "A man who died 100 years ago, his will is no more regarded than if he had never lived."<sup>6</sup> Initially, therefore, the sympathy of the spectator endures only for the original inheritance - once a man has died, and his heirs succeed to their bequest, it is assumed that the same power of disposing of this property is transmitted with the property from the testator

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- (1) TMS.I.i.1.13.  
 (2) LJ(B).165.  
 (3) LJ(A).i.151.  
 (4) Cf. LJ(B).165; and LJ(A).i.150-151.  
 (5) Cf. LJ(A).i.153.  
 (6) LJ(A).i.154.

to the testatee. The problem of time arises with the origin of entail - "the greatest of all extensions of property"<sup>1</sup>, since it endows the original testator with the power to dispose of his goods seemingly "to the end of the world".<sup>2</sup>

Entail, as we shall see in section 4(ii), originates as a natural consequence of primogeniture.<sup>3</sup> As a practice it is concerned with the preservation, in tact, of an estate within a particular family from generation to generation. Based on the contingency of the indivisibility of the said estate, entail operates by circumscribing the powers of each successive heir - denominated in advance - in order to prevent him from selling, alienating, devising, or in any way reducing the entailed estate.<sup>4</sup>

For Smith the problem arises that, whilst entail may be initially required by considerations of security<sup>5</sup>, it is in actuality founded upon "the most absurd of all suppositions, the supposition that every successive generation of men have not an equal right to the earth,

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(1) LJ(B).106.

(2) LJ(B).106. Smith's treatment of the historical origin of entail is decidedly ambiguous. In LJ(A) and (B) entail is seen to derive from the Roman law convention of fideicommissum, represented by Smith as a kind of marriage settlement, or trusts system, devised to protect the property of women, and simply reintroduced into modern European law by the clergy. In WN, however, Smith explicitly denies both the practice of anything akin to entail amongst the Romans, and the similarity between fideicommissum and entail. Cf LJ(A).i.155-161; LJ(B).167; WN.III.ii.5.

(3) See Section 4(ii), p. 65.

(4) Cf, Spring, Eileen, "The Settlement of Land in Nineteenth-Century England", The American Journal of Legal History, vol 8, 1964, pp 209-223; Miller, William L, "Primogeniture, entails and endowments in English classical economics", HOPE, vol 12, 1980, pp 558-81; Holdsworth, William, A History of English Law, 17 vols, (London Methuen, 1972), vol 11; Simpson, A. W. B., An Introduction to the History of Land Law, (Oxford, Oxford UP, 1961).

(5) See Section 4(ii), pp.65-67 and WN.III.ii.5-6.

and all that it possesses."<sup>1</sup> Perpetual entail functions by binding posterity. As a practice it also means that the heir to an entailed estate is unable to bequeath that estate by testament.<sup>2</sup>

Since Smith assumes that the piety of the impartial spectator for the will of the dead covers only bequests to those alive at the time of the testator's death, as such people alone can be thought to have excited the affection of the testator, he concludes that the right of perpetual entail is founded upon a misunderstanding of the duration of the rights of the dead.<sup>3</sup> Limited entail may be permissible, perpetual entail is not so.

In the previous four sub-sections we have seen that the concept of the sympathy of the impartial spectator provides the basic cohering framework for Smith's largely historical analysis of the means by which a right of property may be generated. In terms of his final appropriate mode, voluntary transfer, however, the case is much less clear.

(v) Voluntary Transfer

Voluntary transfer, or the transmission of property inter vivos, is explicated by Smith principally in terms of actual legal convention, with little attention paid to the question of the principles upon which such convention is based.

Smith stipulates two conditions which must be fulfilled if a real right of property is to be created to the object in question: namely, "a declaration of the intention both of the person who transfers (sic)

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(1) LJ(A).i.165-166; LJ(B).168-169.

(2) WN.III.ii.6.

(3) Cf., LJ(B).168.

and of him to whom it is transferr'd",<sup>1</sup> and secondly, "tradition", or the actual or symbolic delivery of the property specified.

Satisfaction of the first condition alone is insufficient to generate a real right of property, operable a quocunque possessore, conveying simply a personal right against the proprietor in respect of the item. It signals the creation of a contract or promise.

If I buy a horse from a man and before delivery he sell him to a third person, I cannot demand the horse from the possessor but only from the person who sold him. But if he has been delivered I can claim him from any person. 2

Property rights are acquired, therefore, only where the declaration of intention is accompanied by tradition.

Tradition relates to the notion of occupation as involving actual possession - initially at least

(A)s occupation, by which property is originally acquired, cannot take place unless the subject has been brought once at least into the power of the occupant, and becomes by that means seperated from the common ones, so a thing that is the property of a certain person can not become the property of another unless it be given into his power. 3

The purpose of tradition which derives from the Roman law concept that property is transferred by delivery is quite simply to accommodate the idea that occupation involves possession, even if only on one occasion.

The rest of Smith's treatment gives a potted history of variations on the legal rulings guiding voluntary transfer at different points in time<sup>4</sup> and is, as such, of no interest to this thesis.

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(1) LJ(B).169.

(2) LJ(B).169-170.

(3) LJ(A).ii.2.

(4) LJ(A).ii.4-13; LJ(B).170-171.

In this section we have been concerned to elucidate the various mechanisms by which a right of property may be generated, and we have noted that the universal dimension in this procedure is provided by the concept of spectator sympathy,<sup>1</sup> whilst the actual pattern of property evolution is stadially specific. In the next section we intend to examine the relationship between stadially-specific property differentiation and the nature and evolution of government and authority relations.

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(1) Voluntary transfer does not, however, fall into this category.

Section 4: Property Differentiation, Government and Authority.

"Property and civil government", Smith announced, "very much depend on one another. The preservation of property and the inequality of possession first formed it, and the state of property must always vary with the form of government." 1.

As Donald Winch notes this relationship between property and civil government was to form one of the central themes of Smith's historical account of progress.<sup>2</sup> Underlying this account, however, is an examination of the concept of political obligation, which it is our intention first to explore.

(i) Political Obligation: The Bases

Contradistinguishing himself from social contract theory Smith isolates two principles operating antecedent to the inauguration of government which induce men to enter civil society, and which form the foundation of political obligation, namely the principles of authority and utility.<sup>3</sup>

Authority, the principle emphasized by Smith, can derive from any of four sources - personal qualifications, such as strength, beauty, agility or virtue; age; superior wealth, or birth.

Treating each in turn Smith surmises that personal qualifications, as essentially "invisible qualities", are "always disputable, and generally disputed",<sup>4</sup> and though whilst perhaps conferring a measure of personal authority can never form the basis of political obligation.

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(1) LJ(B).8.

(2) Winch, Donald, Adam Smith's Politics, p. 51.

(3) Smith is here following Hume. Cf, Winch, op.cit., p. 52. Cf also LJ(A).v.119ff; LJ(B).12ff; WN.V.i.6.4ff.

(4) WN.V.i.b.5.

Age however, "a plain and palpable quality which admits of no dispute", is an important source of rank and distinction in both rude and civilized nations, and as such, a more significant source of authority than personal attributes.<sup>1</sup>

But it is the third source of authority - superior wealth, - which is of most significance. Wealth, "more than any of these qualities contributes to confer authority",<sup>2</sup> and it does this in one of two ways: principally through the existence of a natural disposition in mankind to admire and respect wealth, and thence the wealthy;<sup>3</sup> and secondly, from the circumstance that in particular stages of societal development the possession of wealth confers an inordinate degree of power on the holders of it, via the extensive dependency relations generated thereby.<sup>4</sup>

The final source of authority relates to antiquity of family. An ancient family - usually by association with ancient wealth - always generates greater respect than "upstart greatness", compelling Smith to conclude that "Birth and fortune are evidently the two circumstances which principally set one man above another",<sup>5</sup> creating thereby the distinction of ranks.

In addition to authority, political obligation is also founded upon the principle of utility.<sup>6</sup> The willingness to submit to regular government, and to the dictates of the civil magistrate arises from the

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(1) WN.V.i.b.6.

(2) LJ(B).12.

(3) Cf. LJ(B).12; TMS.I.iii.2.3; TMS.VI.ii.1.20. See also, Skinner, A. S. A System of Social Science, p. 70.

(4) Since this is properly the topic of the next section, discussion of it will be confined thereto.

(5) WN.V.i.b.11. Cf. LJ(B).13; WN.V.i.b.8-10; TMS.VI.ii.1.20.

(6) Interestingly enough WN omits all reference to utility in the section on property and justice, focussing exclusively on authority. Cf. WN.V.i.b.

fact that "everyone is sensible of the necessity of this principle to preserve justice and peace in the society."<sup>1</sup> Without support for government, and the civil magistrate, property would be insecure, and the injuries of man - rich or poor - incapable of redress. Usually, Smith concludes, in the Lectures, both authority and utility combine in forming respect for government.<sup>2</sup>

As stated at the outset of this section, Smith was deliberately rejecting the social contract explanation of the origin of political obligation and government as evinced by Locke.<sup>3</sup>

According to Smith, social contract theory is founded upon the proposition that obligation originates in a voluntary contract in which the people yield their sovereign power to another body, and promise obedience and submission to this power. Government is based upon consent and trust.<sup>4</sup>

However, he declares, such a thesis can be disparaged on three counts. The social contract doctrine is undermined, allegedly, by its parochialism: it is, Smith suggests a doctrine peculiar to Great Britain! - and "yet government takes place where it is never thought of."<sup>5</sup>

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(1) LJ(B).14. Cf LJ(A).v.120.

(2) e.g., LJ.(B).14.

(3) It is interesting to note that both Locke and Smith regard the institution of government as prompted by considerations from the preservation of property.

(4) LJ(A).v.114. "The power of the sovereign is in this case a trust reposed in him by the people".

(5) LJ(B).15.

It is also undermined by the fact that the people obey the sovereign without any cognizance of the concept of contract.

Ask a common porter or day labourer why he obeys the civil magistrate, he will tell you that it is right to do so, that he sees others do it, that he would be punished if he refused to do it, or perhaps that it is a sin against God not to do it. But you will never hear him mention a contract as the foundation of his obedience. 1

Finally, even assuming that the inauguration of government, and its powers, was initially founded on a contract, "this cannot be the case with their posterity; they have entered into no such contract".<sup>2</sup>

Since posterity are unconscious of the original contract, they cannot be bound by it, Smith surmises. Lockean theory endeavoured to resolve this problem of intergenerational rights and duties by employing the notion of "tacit consent". An individual demonstrates his acceptance of an arrangement by acting in such a way as to bind himself in obligation to it. For Locke this principally consisted in remaining within the country in question.<sup>3</sup> On the assumption that there exists an alternative locale, beyond the sphere of political obligation, to which an individual can displace himself, to choose to remain suggests consent.

In one sense Smith is prepared reluctantly to acknowledge that such an action might signify consent. However, he immediately notes that since man has no choice over the locale of his birth, and since he frequently lacks the resources to dislocate himself, even given obedience to government, this cannot be viewed as evidence of consent.

The fallaciousness of the social compact is further demonstrated by the position of aliens. Aliens moving to a country, in preference to all others give a "most express consent to it",<sup>4</sup> and yet far from being

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(1) LJ(B).15. Cf LJ(A).v.115-116. (2) LJ(A).v.116.

(3) Locke, Civil Government. II.§119ff. (4) LJ(B).17.

viewed as willing parties to the social contract, they are treated with suspicion on the grounds of supposed loyalty to their mother country, and thus held in less regard than indigent inhabitants.

Unsurprisingly, therefore, Smith concludes that contract is not the basis of political obligation,<sup>1</sup> although his own treatment is far from satisfactory as it stands.

The real significance of Smith's treatment of the evolution of government emanates from the purported relationship identified by the author—between the nature and form of the prevailing system of property and the nature and form of government.

(ii) The Origin of Government

The theory outlined by Smith to account for the inauguration of civil government is located firmly within the framework of his stadial explanation of property development, and it is the initial differentiation of private property, emergent in the age of shepherds, which necessitates the institution of government, and the development of various forms of coercive law enforcement.<sup>2</sup> The influence is not, however, unilinear. Whilst inequality of possessions generates the need for government in the first instance, Smith is quite emphatic that "the state of property must always vary with the form of government".<sup>3</sup>

In addition to this, Smith declares that government, "is in reality instituted for the defence of the rich against the poor, of those who have some property against those who have none at all".<sup>4</sup> Thus the

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(1) Cf LJ(A).v.119 and LJ(B).18.

(2) According to MacCormick ("Law and Enlightenment", p.160) this explanation of governmental origins was common to eighteenth century Scottish legal theory.

(3) LJ(B).II.

(4) WN.V.1.b.12; Cf., also, LJ(A).iv.22-3; LJ(B).20.

explanation offered by the author serves not only to adumbrate the process of governmental evolution, but also to illuminate the relationship between property and authority. Indeed it is our contention that it is possible to review Smith's account of the origins of government as an account of the authority relations conferred by the possession of property or wealth.

"Till there be property there can be no government", Smith observes,<sup>1</sup> and since hunting society is characterised by the very absence of the concept of property, its notions extending only as far as possession, it can also be classified according to both the absence of regular or organized government, and the general lack of an authority structure.<sup>2</sup>

Hunting society as a generalized ideal-type would usually consist of a small community of independent families co-habiting for their mutual safety.

As "there is scarce any property, or at least none that exceeds the value of two or three day's labour, so there is seldom any established magistrate or any regular administration of justice."<sup>3</sup> Property, "the grand fund of all dispute is not then known".<sup>4</sup>

The little order that is preserved within this community is effected democratically, through the intervention of the whole community to settle disputes as and when they arise. Such 'government' as exists is, therefore, both irregular and weak.

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(1) LJ(B).20.

(2) Cf., LJ(A).iv.4; LJ(B).19. The little authority that is acknowledged is conferred by age and personal qualities only.

(3) ~~WN.V.i.b.2.~~ Cf., LJ(A).iv.22.

(4) LJ(A).iv.19. Cf. Haakonssen, op.cit. pp.155-157; and Skinner, A System of Social Science, p.72.

Once ideas about property extend beyond the limited concept of possession to the idea of property in animals, however, the potential for dispute and the need for permanent regulatory mechanism arise.

Disputes over property arise because an object previously held in common - those animals most adapted for human use - becomes individualized. One ramification of this move is to render hunting a precarious occupation, as what was previously open to any taker is now privately owned.

More significantly than this, however, the inauguration of private property in the prevailing mode of subsistence (flocks and herds) gives rise to gross inequality of fortune, to rich and poor, and leads ultimately to a 'regular administration of justice'.

When once it has been agreed that a cow or sheep shall belong to a certain person not only when actually in his possession but where ever it may have strayed, it is absolutely necessary that the hand of government should be continually held up and the community assert their power to preserve the property of individuals. 1.

Shepherd society sees, therefore, some sort of rationalization of the conditions regulating the acquisition of property, and the maintenance of it. The "laws" generated in this age are not formal or written laws however, these being "a very great refinement of government",<sup>2</sup> but rather the law of the pastoral age, definitive of both the right of property, and the punishments consequent upon its abrogation, would be some sort of convention, "very short and (with) ... few distinctions in it, so that every man would understand it."<sup>3</sup> Failure to submit to it would result in the delinquent's expulsion from the community.<sup>4</sup>

(1) LJ(A).iv.21. (My emphasis). Cf., LJ(A).iv.22.

(2) LJ(A).iv.37.

(3) LJ(A).iv.35.

(4) LJ(A).iv.24.

The absence of written law means, of course, that disputes over property are still relatively circumscribed. The greater the complexity of the law, the greater the contentions over its application. Thus the very historical specificity of wills and testaments, marriage settlements, and voluntary contracts ensures that property is relatively settled in the age of shepherds where such written conventions are non-existent.

More than this differentiation of private property signalling the beginning of rules and procedures governing security of property, the shepherd age is also typified by the development away from the fundamentally, though indigenously egalitarian and democratic society of the hunters, to a society characterized by gross disparities in wealth, and by the existence of a rigidly stratified social structure, and by a hierarchy of authority/subordination relations.

Since the appropriation of flocks and herds renders what once provided the common resource for the subsistence of mankind the private property of a few individuals, through the gradual, "step-wise" acceptance by society of that process of individuation,<sup>1</sup> the propertyless are compelled to acquire their subsistence from the rich,<sup>2</sup> Each property owner will come to acquire, therefore, a number of retainers.<sup>3</sup> This dependency nexus is necessarily reinforced by the fact that those owning the means of subsistence have no alternative means of expending their vast fortunes in the absence of manufacturing or luxury arts, beyond the maintenance of such dependants. So the acquisition of vast wealth in the shepherd age naturally carries with it the prize of great authority.

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(1) Cf., Haakonssen, op.cit., p.157.

(2) Cf., LJ(A).iv.7 and LJ(B).20.

(3) Cf., LJ(A).iv.41-47 and LJ(B).20-22.

In fact Smith remarks that, "in this period of society ... inequality of fortunes makes a greater odds in the power and influence of the rich over the poor than in any other";<sup>1</sup> there is "no period accordingly in which authority and subordination are more perfectly established."<sup>2</sup>

What begins as an essentially democratic stage, with the whole society intervening in disputes,<sup>3</sup> develops into a kind of hereditary aristocracy, for the very reason that outlets for the dissipation of wealth are non-existent.

Just as inequality of fortune bestows authority on the few, so the entrenchment of that wealth in the hands of the few, coupled with the generation of a mechanism for transmitting property from generation to generation, tends to consolidate the bases of authority within the same families. Antiquity of family becomes, together with wealth, the foundation of the authority structure typical of shepherd society.

As Smith declared in the Wealth, "there are no nations among whom wealth is likely to continue longer in the same families",<sup>4</sup> reinforcing the claim in the Lectures that "in the age of shepherds descent gives one more respect and authority than perhaps in any other stage of society whatever".<sup>5</sup>

The class bias of this picture of the property relations discernible in shepherd society is not obscured by Smith at all. "Laws and government", he announces, "may be considered in this and in every case as a combination

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- (1) LJ(A).iv.8. Cf.,LJ(B).21; and WN.V:b.7.
  - (2) WN.V.i.b.7. "The authority of an Arabian scherif is very great; that of a Tartar khan altogether despotical."
  - (3) See LJ(A).iv.24.
  - (4) WN.V.i.b.10.
  - (5) LJ(A).iv.43. Cf.,Skinner, op.cit., p.72; Haakonssen, op.cit., p.158.

of the rich to oppress the poor",<sup>1</sup> and the means of defence of "those who have some property against those who have none at all".<sup>2</sup> In this circumstance the only choice the poor have is either to continue poor, or to endeavour to acquire property in the same manner as their wealthy counterparts have done.<sup>3</sup>

We have seen therefore that where there is no property there is no need for regular government; that where property is introduced regular government becomes necessary to protect that property from the deprivations of the propertyless; and that the very protection of property in the hands of its claimants gives rise to a particular pattern of social stratification, but that balanced against this, the lack of outlets for the expenditure of wealth ensures a reciprocity in the relationship between rich and poor. As the poor combine to secure the rich in their superior wealth, in order to gain subsistence, so too the rich will defend the poorer members of their itinerant society in the possession of theirs.<sup>4</sup>

Smith's treatment of the relationship between government and property in the agricultural stage is by far the most complex aspect of this area of his work, reflecting as it does the fluidity of his ideal-type-four-stages theory, and the historical and circumstantial specificity of particular legal developments and conventions. His treatment is also particularly illustrative of the reciprocal nature of the relationship between institutions and concepts of property, and the nature of the

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(1) LJ(A).iv.22-3. Cf. LJ(B).20.

(2) WN.V.i.b.12.

(3) LJ(A).iv.23.

(4) WN.V.i.b.12.

prevailing governmental and authority structure. As we shall see shortly, the intermingling of conceptions of property drawn from differing, though co-existent, stages of development gives rise to a particular kind of authority structure, which in turn leads to the evolution of new conceptions of property.

The main framework for Smith's examination of the connection between government and property in this period is provided by an analysis of the historical evolution of modern Europe.<sup>1</sup> According to the natural order of events within an expanding economy, capital would usually be directed initially towards agricultural improvement, then to manufacturing development, and finally towards the extension of foreign trade. In actuality, the pattern of European evolution was somewhat inverted. Manufacturing was extended as a consequence of the growth of the foreign trade of the cities, and the major agricultural improvements took place as a result of the growth of both foreign commerce and manufacturing.<sup>2</sup> The reason for this "unnatural and retrograde order",<sup>3</sup> is identified by Smith in terms of the clash of two societies at different points of stadial development, *viz*, the commercially developing Roman empire, and the militarily formidable German and Scythian shepherd nations.<sup>4</sup> It was the superior military might of the latter that enabled them to conquer the more sophisticated, but weaker, Roman empire, and to destroy its commercial bases, in consequence subverting the "natural progress of opulence".

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- (1) Although Smith does utilise examples culled from other ages - particularly ancient Rome and Greece, *Cf.*, LJ(A).*passim*. LJ(B).*passim*.
- (2) WN.III.i.1-9.
- (3) WN.III.i.9.
- (4) WN.III.ii.1. *Cf.*, LJ(A).ii.97; LJ(A).iii.12; LJ(B).184; WN.V.i.a.2.

The effect which the clash of these two different cultures had on the prevailing system of property is particularly important for the present study. The shepherd age, as we have seen previously, is usually differentiated by the idea of property in animals, and indeed the ideas of the Tartars, Smith's paradigmatic shepherd tribe, are said to extend no further than this. To his pastoral conquerors, however, Smith attributes "better notions of property".<sup>1</sup> They, he avers, had some "knowledge of agriculture and property in land".<sup>2</sup> The implications of this for the future development of Europe were of great import. Applying their embryonic conceptions of property in land to the prevailing scenario the initial act of these conquering shepherd chieftains was to share out all the land they had usurped so that "no part of them, whether cultivated or uncultivated was left without a proprietor. All of them were engrossed, and the greater part by a few great proprietors",<sup>3</sup> who in turn subdivided the land further, by sharing it out amongst a number of cultivators, who in token of their dependence paid a small rent to the landlord. One significant ramification of this division, for authority, was to consolidate the ownership or non-ownership of the means of subsistence - in this instance land - as the basis of class stratification. In addition to this, as in the previous stage, the absence of an exchange economy, compounded by the need of the propertyless to gain access to subsistence, reinforced property ownership as the basis of power, which leads Smith to argue that:

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(1) LJ(B).50.

(2) LJ(A).iv.114.

(3) WN.III.ii.2.

A great proprietor having nothing for which he can exchange the greater part of the produce of his lands which is over and above the maintenance of cultivators, consumes the whole in rustic hospitality at home. He is at all times, therefore, surrounded by a multitude of retainers and dependents, who, having no equivalent to give in return for their maintenance, but being fed entirely at his bounty, must obey him, for the same reason that soldiers must obey the prince who pays them. 1

Since the landed proprietor has no alternative means of dissipating his wealth other than the provision of 'hospitality', and since the propertyless require subsistence, a service-nexus evolves.<sup>2</sup> And thus, "it will be evident", the author surmises, that "the balance of power will make those who are possessed of it [i.e. the land] have a far greater superiority in power than the same share of property will give one in a more refined (sic) and cultivated age."<sup>3</sup>

Each of the landed estates spawned by the conquest is regarded by Smith as a kind of "principality". "Every great landlord", he asserts "was a sort of petty prince. His tenants were his subjects. He was their judge, and in some respects their legislator in peace, and their leader in war".<sup>4</sup> Each lord had, it seems, absolute jurisdiction within his own principality. Throughout the entire allodial system, however, chaos and disorder reigned. The King, conceived of simply as the greatest proprietor in the land, had no authority to intervene in disputes between contending lords. The problem for the lord, or 'petty prince',

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(1) WN.III.iv.5.

(2) Cf. Skinner, A System of Social Science, p.73. Skinner noted the distinction within Smithian thought, between retainers and cultivators (pp.78-9).

(3) LJ(A).i.116.

(4) WN.III.ii.3.

was one of security.<sup>1</sup> Though providing his retainers with subsistence on the assumption of the provision of service, he needed to be certain of their support in time of conflict, and so out of the need for security in allodial times, emerged a particular pattern of landholding and service, namely, feudalism. Initially holdings of land were granted for a year, then developing to life as either munera (tenures revocable at will), or benefica (tenures continuing during the life of the tenant but returning to the lord at his death), becoming ultimately hereditary tenures or feuda. This hereditary land right was, however, contingent upon the performance of "a long train of services and duties", including, inter alia, military service, homage, fealty and wardship.<sup>2</sup> For some time, however, feudal and allodial land holdings continued to coexist.<sup>3</sup>

Just as considerations from security motivated the landed classes to grant feudal tenures to their dependents, so also they were themselves compelled to agree to hold their land feudally of a superior, that is, greater lord, in order to guarantee their own protection. This change in the pattern of land-holding historically characteristic of the agricultural stage in modern Europe, permeates not only downwards from lord to tenant, but also upwards from lord ultimately to the king.<sup>4</sup> Far from extending the power of the lords, however, feudal law actually leads to a curtailment of that power.<sup>5</sup> Indeed the essence of feudalism for Smith was its purported tendency to ensure the protection of the weak by the strong, an ethos upon which the entire hierarchical structure of society was founded.

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(1) Cf., Skinner, "Economic Interpretation of History", pp.158-162; A System of Social Science, pp.78-81; Haakonssen, op.cit., pp.165-171.

(2) Cf., LJ(A).ii.127; LJ(A).iv.127-9; LB(B).53-4; WN.III.iv.9

(3) Allodial tenancies were free from service.

(4) Cf., Haakonssen, op.cit., pp.165-66; Skinner, "Economic Interpretation of History", p.161. Cf., LJ(A).iv.124-141; WN.III.ii.1-3; WN.IV.5-9.

(5) WN.III.iv.9.

The transition to feudalism, occasioned by the disputatious nature of the age, necessitated, therefore, an alteration in the manner in which land was held. It also occasioned a fundamental alteration in the nature of the right of property, an alteration which Smith condemns as "contrary to nature, to reason, and to justice."<sup>1</sup>

Just as considerations of present security directed the landlord to develop a particular (feudal) pattern of landholding, so concerns for future society led him to develop a particular pattern of property transmission, namely primogeniture.

When land was conceived of simply as a means of subsistence and enjoyment, the natural law of succession, as outlined in section 3:iv, dictated its equal partition amongst all the qualifying members of the family.<sup>2</sup> However, once land was conceived of as a means of power and protection, such partition ceased to be feasible.

The security of a landed estate, therefore, the protection which its owner could afford to those who dwelt on it, depended upon its greatness. To divide it was to ruin it, and to expose every part of it to be oppressed and swallowed by the incursions of its neighbours. 3.

Gradually, therefore, indivisible transmission of estates became established from considerations of power and security, with the eldest preferred to the youngest, and the male sex to the female.<sup>4</sup>

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(1) LJ(A).i.116.

(2) See section 3(iv), pp. 42-43.

(3) WN.III.ii.3.

(4) Cf., WN.III.ii.3. LJ(A).i.134-146; LJ(B).161.

As a natural consequence of primogeniture, Smith argues in the Wealth, another convention concerning the intergenerational transmission of landed property also evolved, namely the testamentary practice of entail. The reason for this development again derives from considerations of security. Thus, the practice of entails might "frequently hinder the security of thousands from being endangered by the caprice or extravagance of one man".<sup>1</sup> It constitutes, therefore, a means of protecting the many from the few; and preserving linear succession, reinforcing the familial and proprietary bases of power and authority. For, as we noted earlier, government and law function, for Smith, in favour of the propertied against the propertyless; and thus "the laws relating to land ... were all calculated for what they supposed the interest of the proprietor,"<sup>2</sup> a view further developed by Thomas Hodgskin in The Natural and Artificial Right of Property Contrasted<sup>3</sup> as we shall see in chapter 6.

The problem, according to Smith, is that, of course, the interest of the proprietor necessarily changes. "Laws", he declares, "frequently continue in force long after the circumstances which first gave occasion to them, and which could alone render them reasonable are no more".<sup>4</sup> Thus primogeniture and entail initially developed as a means of securing large estates in order that the might of such estates could continue to protect all who dwelt upon them. In a developing commercial society, however, such problems of security no longer exist, for then "small as well as great estates derive their security from the laws of their country".<sup>5</sup> The evolution of written law invalidates, as it were, the

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(1) WN.III.ii.6.

(2) WN.III.ii.16.

(3) (London, Steil, 1832) pp.61-75 passim.

(4) WN.III.ii.4.

(5) WN.III.ii.6.

conditional bases of primogeniture and entail. In addition to this, the retention of such outmoded legal practices has adverse effects upon the efficient functioning of the economy, circumscribing as it does the extent of the potential market in land, and constituting thereby one of the primary causes of bad husbandry.

Land, Smith declares, should be "as much in commerce as any other good".<sup>1</sup> Where land can freely change hands, the likelihood is that it will be better managed, that greater time and money will be invested in it, and that men of enterprise and scheme will come to characterise the landed classes. At present, however, the continuance of land within the hands of traditional landed classes, precludes such a possibility - on a large-scale at least. Entail and primogeniture militate against good husbandry in a number of ways: the landed classes tend to lack both the resources, and incentive to improve their land;<sup>2</sup> those tenants actually cultivating the land also have little incentive to develop programmes of improvement subjected as they are to both the disincentive of rent payment, and uncertain tenancies;<sup>3</sup> with the contingency of the indivisibility of such estates merely compounding the problem.<sup>4</sup> The solution for Smith is two-fold: huge estates should be divided into a number of small-holdings, since Smith believes that the ownership of property leads to both personal independence, and greater improvement, with small-holders identified as "of all improvers the most industrious, the most intelligent, and the most successful",<sup>5</sup> thus removing the problem of

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(1) LJ(A).i.166.

(2) LJ(A).166-167; LJ(A).ii.1; LJ(B).169; WN.III.ii.7.

(3) LJ(A).166-167; LJ(A).ii.1; WN.III.ii.8.

(4) LJ(B).163-4; WN.III.ii.7; WN.III.iv.19.

(5) WN.III.iv.19. Cf. LJ(A).166-167; and Miller, "Primogeniture, entails, and endowments", p.56-7.

tenant disincentive, and as much land as possible should be brought into commerce, for at present "there are always more capitals to buy than there is land to sell, so that what is sold always sells at a monopoly price."<sup>1</sup> In this way, therefore, the "unnatural right of primogeniture and entails, supported (as it is) by nothing but the vanity of families", would gradually fall into disuse.<sup>2</sup>

As we have seen the agricultural age for Smith is depicted as an age of great disparities in wealth and power. Property, unevenly distributed, continues to form the basis of power; and the impossibility of expending that property in pursuits other than 'rustic hospitality' ensures its long continuance in the same family - especially after the advent of primogeniture and entail - reinforcing the tendency for wealth and antiquity of family to confer the greatest degree of authority in this age.

Just as the lack of an exchange economy consolidates power in the pre-commercial ages, so its very emergence leads to a diffusion of power and authority in commercial society. Not only does the development of luxury arts and manufactures provide the propertied man with different avenues for dissipating his wealth, it also substantially alters the nature of the relationship between the propertied and the propertyless.

The service nexus typical of the second and particularly third stages of society generated direct dependencies between property-owner and propertyless. In commercial society, this service nexus is replaced largely by a cash nexus. Although the wealth of the rich man still maintains the labourer, there is much greater independence in the relationship.

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(1) WN.III.iv.19.

(2) LJ(A).ii.1.

Firstly, the landed proprietor is able to command an equivalent for the surplus produce of his estate, thus freeing him from the compulsion typical of the earlier ages of sharing this surplus with his tenants or retainers.<sup>1</sup> Indeed, "all for ourselves and nothing for other people seems ... to have been the vile maxim of the masters of mankind"<sup>2</sup> in commercial society.

Secondly, the development of commerce and the arts ensures that the retainer of a previous age is now able to command an equivalent in exchange for his labour. No longer dependent on one wealthy man "each tradesman or artificer derives his subsistence from the employment, not of one, but a hundred or a thousand different customers". Although he is in a sense obliged to each of them for his maintenance, "he is not absolutely dependent upon any one of them".<sup>3</sup>

Clearly, this means that the rigid stratification of earlier times has to some degree been dissolved with the development of commerce. This is not to say that inequality of fortune no longer confers great authority for, as Smith notes, "the authority of fortune ... is great even in an opulent and civilized society",<sup>4</sup> still outweighing birth or personal qualities as a basis of authority. But now the necessary connection between wealth and family characteristic of the previous stage, is not guaranteed, for "in spite of the most violent regulations of law to prevent their dissipation, (riches) very seldom remain long in the same family" in commercial countries.<sup>5</sup>

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(1) Cf., WN.V.i.b.7.

(2) WN.III.iv.11.

(3) WN.III.iv.11.

(4) WN.V.i.b.7.

(5) WN.III.iv.

Since man can now expend his entire fortune on his person, he has no need to bequeath it in its entirety to his progeny, particularly since the considerations from security previously operative no longer apply as all property, great or small, is protected by law,<sup>1</sup> and thus "for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority."<sup>2</sup>

In addition to the possibility of the gradual, though perhaps not widespread, diffusion of "old" wealth, the property generated by commercial activity, or "new" wealth, is, as Skinner observes, more likely to be more evenly distributed, and less likely to continue within the same family for generations.<sup>3</sup> This is not to suggest, however, that commercial society will be any less inegalitarian than previous stages, simply that opportunities for the acquisition of property would presumably be more widely available, both in terms of the objects capable of appropriation as new forms of wealth are generated, and in terms of the number of people able to acquire those objects. Indeed, as we shall see in the next chapter, it was one of the paradoxes of commercial society that great inequities in property distribution were, in fact, compatible with the material well-being of the labourer; that even though "those who labour most get least",<sup>4</sup> yet the "lowest and most despised member" of commercial society is better off than the most respected savage in a society wherein "every individual enjoys the whole of the produce of his own industry".<sup>5</sup>

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(1) WN.III.ii.

(2) WN.III.iv.10.

(3) Skinner, A System of Social Science, p 74.

(4) Early draft of chapter 2 of the Wealth, ED.2.5. See chapter 2, Section 1, pp<sup>78-83</sup>below.

(5) ED.2.4-6.

Throughout his exposition of the relationship between the growth of property and government, Smith places great emphasis upon the fact that such a relationship is, in fact, a reciprocal one. Although proprietary considerations might be initially responsible for the establishment of a regular administration of justice, or government, it soon becomes clear that the form of government in existence has profound implications for the types of property rights generated, thus a 'government' of landed conquerors led historically to the evolution of the practice of entail and primogeniture. In a like fashion, the types of property discernible at any stage of social evolution determine, to some degree, the basis of power and authority within a particular society, so that the authority of a shepherd chief may be seen to emanate directly from his possession of a great herd or flock. The foregoing again suggests that the four-stages thesis operates fundamentally as a referential framework for the evolution of property and government and not as a determinist theory of that evolution.

### Conclusion

It was the primary aim of this chapter to examine the relationship between Smith's conception of the nature, origin and evolution of property rights, and his formulation of the four-stages theory of societal advancement, defined as the hypothesis that society may normally be expected to progress through four separate consecutive stages of development. Observing that the bulk of Smith's pronouncements on property were deployed within the context of his treatment of justice - indeed he actually identified the main function of justice as the preservation of property - the chapter began in section 1 with an elucidation of the connections between property and justice. Here we noted (i) that property was characterised by Smith as a "perfect" right, a right which we have a "title to demand, and if refused to compel another to perform";<sup>1</sup> (ii) that property was, in addition, delimited as an "adventitious" right, the foundation of which required explication, and hence justification; (iii) that justice was defined principally in terms of the actions constitutive of injury; (iv) that such actions were delineated purely in terms of the judgement of the impartial spectator (an intellectual construct designed to signify the viewpoint, or procedure, from which moral or juridical decisions were taken); and (v) that such judgements were historically specific, and that as such both rights and injuries were also historically specific. This analysis of the connection between property and justice complete, we turned, in section 2, to an examination of the relationship between Smith's ideas about property and the four-stages theorem.

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(1) LJ(A).i.14.

minutely evidence?
 It was the central proposition of this section that the four-stages theorem represented, not an explanation of the process of societal evolution, with changes in the economic base determining changes in the socio-political superstructure (including the institution of property) as alleged by Meek, but rather that it formed the referential framework within which Smith's ideas on property were deployed, with those ideas forming one of the primary differentiating features of each stage. Thus it was our conclusion, for example, that the hunting age was typified by possession of personal goods; the shepherd age by property in herds and flocks; the agricultural age by the emergence of property in land; and the commercial age by the development of alternative forms of wealth, in the form of manufacturing and luxury goods. In addition to the claim that it was possible to typify each stage according to the varying objects of property found therein, we also demonstrated that the nature of the rights invested in the property-holder altered from stage to stage. Thus, for example, the hunting age was characterised by possession; the shepherd age by the advent of a right of property per se; the age of agriculture by an extension in the rights of accession, and succession; and the age of commerce by the proliferation of laws of contract.

In section 3, we extended our discussion to consider the alternative ways in which Smith conceived a right of property to originate. Here we noted that Smith acknowledged five traditions of entitlement: occupation, accession, prescription, succession, and voluntary transfer, of which only the first generated an original title to property, all the others generating derivative titles based upon the pre-existence of a right of property. Recognising that Smith viewed the operation of each of these five modes of entitlement as varying both within and between stages, it was our contention that, with the exception of the

tradition of voluntary transfer, the legitimacy of all the other modes derived from the sympathy of the impartial spectator, and the concept of the "reasonable expectation of use", so that, whilst Smith, unlike later writers such as Hodgskin or Thompson, did not enunciate a theory based upon a universally operative paradigm of appropriation, he did ground his account of the formation of property rights in a philosophy with universal applicability.

Our final endeavour in this chapter was to examine the relationship between property differentiation, the stadial thesis, government and authority. After a brief analysis of the anti-Lockean bases of political obligation identified by Smith, *viz.*, personal qualities, age, wealth and birth, we focused upon the interaction of property and government, revealing that, although the inauguration of civil government was contingent upon the emergence of a right of property, the relationship between the state of property and the form of government was, in fact, reciprocal. Thus, for example, where a 'government' of landed conquerors led historically to the development of conventions of entail and primogeniture, so too the existence of property in herds and flocks led historically to the development of aristocratic government. We concluded, however, that even given the interdependence between government and property acknowledged by Smith, his account of the origins and development of government was essentially an account of the stadially variable nature of the authority structure conferred by the possession of property and wealth.

Two concepts are of particular significance, therefore, in understanding Smith's theory of property: the first is the notion of sympathy, and the intellectual construct of the impartial spectator; and the second is the notion of a stadial theory of historical development. Now,

it is noteworthy, that of all the authors studies in this dissertation, no one else grounds their theory of property in the concept of sympathy, and only two authors, McCulloch and Hodgskin, employ the referential framework of the four-stages theory at all.<sup>1</sup> However, where the four-stages theorem was ubiquitous within Smith's account of the origins and development of property, as employed by McCulloch and Hodgskin, its function is somewhat different. As we shall demonstrate in chapter 5, McCulloch utilises the stadial thesis not in the context of his examination of property at all, but rather as the framework for his hypothesis that the progressive improvements in living standards discernible throughout time emanate from improvements in the means of applying labour in production: a concern more Lockean than Smithian in substance. Similarly, in chapter 6, we aim to show that, whilst Hodgskin does employ the stadial hypothesis in connection with ideas about property, that hypothesis does not provide the general referential framework for an account of the historical evolution of the institution of property à la Smith, but rather a limited organisational framework within which Hodgskin could deploy material concerning the relationship between the prevailing mode of subsistence, population growth and size of permissible land-holdings in the course of societal advancement. Again it will be our contention that the substance of the four-stages theory is dictated by concerns more Lockean than Smithian.

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(1) It should be observed that, whilst the authors examined in this study tended not to utilise the four-stages theorem, it was a theory common to many of the works of the Scottish enlightenment cf., for example, Ferguson, Adam, An Essay on the History of Civil Society (1789); Principles of Moral and Political Science (1792); Principles of Moral and Political Science (1792); and Millar, John, The Origin of the Distinction of Ranks (1771). cf., Meek, Social Science and the Ignoble Savage, *passim*; and Pascal, "Property and Society", pp.167-179.

Having focused in this chapter upon the connections between property and the stadial thesis in the works of Adam Smith, we intend, in the next chapter, to broaden our discussion of Smith's ideas about property, by considering his analysis of the relationship between labour, value and distribution, so influential in the development of both political and economic thought, including that of the Early English Socialists.

Chapter 2. Labour, Value, and Distribution in Adam Smith's Economics

In the last chapter, we endeavoured to explicate the relationship between Smith's theory of property and his conception of the stadial development of society, focusing on three particular areas: property differentiation as one of the defining characteristics of each stage of social evolution; the variations in the modes of acquiring property throughout the stages; and the relationship between property, government, and authority/subordination relations. We concluded that the four-stages hypothesis represented simply the referential framework within which Smith's ideas about property were deployed, and observed that such unity as was to be found in his pronouncements upon entitlement derived from his conception of spectator approval.

In this chapter, we hope to extend the discussion of Smith's ideas about property, by focusing upon the more strictly economic aspect of his thought, endeavouring to illuminate the connections, both implicit and explicit, between labour, value and distribution in commercial society. This chapter will commence with a discussion, in section 1, of Smith's treatment of the "paradox of commercial society", or the contention that the fundamentally inegalitarian distributive practices of the age of commerce are still able to ensure a higher level of welfare to all members of society than the more egalitarian practices of earlier ages.

In section 2, we will approach the issue of value theory, beginning with an appraisal of the conceptual pre-requisites of a theory of value per se, (2:i); moving on to a consideration of the relationship between value and utility (2:ii); then to the topic of the labour command

measure of value (2:iii); before concluding this section with an examination of Smith's theories of value determination, which comprise both a simple labour cost (or quantity) model tenable in primitive conditions, and a cost-of-production explanation of price applicable in complex commercial society (2:iv).

In section 3, we will address Smith's theory of distribution, starting with a review of his theory of wage determination, and considering in the course of our review the doctrine of "net advantage" (3:i); then, contemplating his treatment of profit, centring on the question of whether or not profit comprises an addition to, or a deduction from the produce of labour (3:ii); before ending this section, and the chapter, with an examination of his theory of rent (3:iii).

Section 1: The Paradox of Commercial Society: Property and the Division of Labour.

"It cannot be very difficult", Smith writes in the early draft of Chapter 2 of the Wealth of Nations,

... to explain how it comes about that the rich and the powerful should, in a civilized society, be better provided with the conveniences and necessities of life than it is possible, for any person to provide himself in a savage and solitary state. It is very easy to conceive that a person who can at all times direct the labours of thousands to his own purpose, should be better provided with whatever he has occasion for than he who depends upon his own industry only. But how it comes about that the labourer and the peasant should likewise be better provided is not perhaps so easily understood. 1

Smith is interested, therefore, in elucidating the so-called "paradox of commercial society",<sup>2</sup> or the reason why, in spite of the existence of gross inequalities in property distribution, particularly in terms of land and capital, and the existence of a numerous non-productive

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(1) ED. 2. 3-4

(2) The phrase and definition of the "paradox" derive substantially, though not exclusively, from the article, 'Needs and Justice in the Wealth of Nations: an introductory essay', by Istvan Hont and Michael Ignatieff, in Hont and Ignatieff (eds.), Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment, (Cambridge CUP, 1983), pp.1-44. Their thesis is that Adam Smith, following in an ancient jurisprudential tradition concerned with reconciling the subsistence needs of the poor with the property rights of the rich, innovates by shifting the argument from the language of rights to the language of markets and that this shift represents a constitutive move in the making of political economy. See also Winch, Donald, Adam Smith's Politics: An Essay in Historiographic Revision, (Cambridge, CUP, 1978), p.90.

class, the material well-being of even the "lowest and most despised member" is more prosperous in commercial society than in any savage society where proprietary reward is commensurate with industrious effort.<sup>1</sup> In other words, he is concerned to explicate the conundrum that:

... the accommodation of a European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages.

2

In order to illuminate and explain this paradox, Smith's exposition concentrates on comparing the conditions prevalent in savage society with those typical of commercial society.

As we saw in the last chapter,<sup>3</sup> Smith categorised savage nations as those in which property beyond "the value of two or three days labour"<sup>4</sup> cannot exist, and in which, as a consequence, "universal poverty there establishes universal equality".<sup>5</sup> In such nations, every individual capable of work is "more or less employed in useful labour", endeavouring to procure by his own "unassisted labour" all the necessaries and

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(1) ED. 2.6.

(2) WN.I.1.11. Cf, ED. 2.1; LJ(A). vi. 21, 23; LJ(B). 212. Cf, also, Locke, John, The Second Treatise of Government. An Essay Concerning the True Original, Extent, and End of Civil Government, (1689), §.341.

(3) See above pp.

(4) WN. V.1. b.2.

(5) WN. V.1. b.7.

conveniences requisite for life.<sup>1</sup> Yet despite the fact that "in a savage nation every one enjoys the whole fruit of his own labour"<sup>2</sup> the indigence of the savage is far greater than that of "the meanest citizen of any thing that deserves the name of a civilised nation".<sup>3</sup> Not only is the savage incapable of providing himself with "such food, such cloaths, and such lodging"<sup>4</sup> as would satisfy the lowliest member of civilised society, but as Smith observes in the published edition of the Wealth, the members of savage nations are frequently "so miserably poor", that from want they are often under the compulsion of "sometimes directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases".<sup>5</sup>

By comparison, within civilised and thriving nations, however, a great number do not labour at all-and yet manage to consume, through their ownership of the means of production, a greater proportion of the produce of labour than those who do labour. Thus:

The landlord is maintained in idleness and luxury by the labour of his tenants, who cultivate the land for him as well as for themselves. The moneyd man is supported by his exactions from the industrious merchant and the needy who are obliged to support him in ease by a return for the use of his money.

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- (1) WN. Introd. 4, ED.2.1. "Useful labour" for Smith is productive labour". Cf., section 3 (1) below on Smith's distinction between "unproductive" and "productive" labour, pp. 117-118.
- (2) LJ(B). 212.
- (3) LJ(A). vi.26. Cf., ED. 2.4.
- (4) ED. 2.1.
- (5) WN. Introd. 4.
- (6) LJ(A).vi.26.

So it is that the "labour and time of the poor is ... sacrificed to the maintaining the rich in ease and luxury".<sup>1</sup> The reason why the industry of the wage-labourer can support "so much oppressive inequality" derives from the division of labour, by which "every individual confines himself to a particular branch of business".<sup>2</sup> This alone can account for the superior level of opulence discernible in civilised societies notwithstanding the inequality of property therein, for the division of labour enhances labour productivity, and as such increases the quantity of the goods obtained by labour, sufficient to both "gratify the slothful and oppressive profusion of the great", and to "abundantly ... supply the wants of the artizan and peasant".<sup>3</sup> Once the division of labour is established each man is enabled to perform "so great a quantity of that work which peculiarly belongs to him that he can afford something to those who do not labour at all".<sup>4</sup> Although he is now denied the full fruits of his endeavour, the wage-labourer is capable of both remunerating the landlord and capitalist for the use of their productive resources, and of procuring a greater quantity of life's requisites for himself than he could produce independently. He is, therefore, better off than under savage conditions. In an economy capable of sustaining growth,

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(1) LJ(A).vi.26.

(2) ED. 2.6. Smith is here concerned with the "social" division of labour; his pin-making example shows his awareness of the "technical" division of labour. See WN. I. 1.3.

(3) ED. 2.10.

(4) ED. 2.10.

and improvement, the share of labour is likely to grow in absolute terms, but as Hont and Ignatieff perceive, "the oppression of the superior orders might [still] prevent it from increasing in relative terms".<sup>1</sup>

The increase in productivity contingent upon an extension of specialisation is responsible, then, for an increase in the level of universal opulence. Another repercussion of such an extension is to render labour dear and work cheap. This dearness of labour is, however, positively advantageous, Smith alleges, since it signals an improvement in living standards, and he insists, should not be regarded as inconvenient, for:

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity ... [Therefore] that they who feed, cloathe and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.

2

The high price of labour represents, therefore, the essence and measure of public opulence.

Smith's treatment of the "paradox of commercial society" has been deployed in order to demonstrate that there is no inherent incompatibility between the gross inequalities in wealth distribution characteristic of commercial society, and the material well-being of the labourer. This concern with the problem of welfare is further extended in his theory of value where Smith sets out to develop a measure of value capable of assessing changes in welfare levels both intertemporally and interlocally.<sup>3</sup>

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(1) Hont and Ignatieff, op.cit., p.6; Cf., Winch, op.cit., p.50.

(2) WN. I.viii.36.

(3) See below, section 2 (iii), pp. 92-100.

Before considering his labour command hypothesis, however, it will be necessary first to outline the parameters of value theory generally, and then to consider the problem of the relationship between utility and value, since the perspective adopted by Smith on the question of utility is instructive of his conception of welfare.

Section 2: Value in the Wealth of Nations

(1) Introduction: The Pre-requisites for a Theory of Value

The concept of value forms an integral part of the politico-economic framework within which ideas about property were deployed by many of the writers dealt with in this thesis, and whilst consideration of the implications of value theory - particularly labour theories of value - for ideas about property will be deferred until the next chapter,<sup>1</sup> a number of preliminary, directional points concerning the broad parameters of that theory will be made by way of a preface to the main subject-matter of this section, namely Adam Smith's theory of value.

A theory of value is, broadly speaking, concerned with the specification of those criteria or principles which determine the ratio at which goods exchange at a particular point in time. It aims to elucidate, therefore, the determinants of value. The focus of ideas concerning the cause of value is, however, logically distinct from the focus of ideas concerning the measure of value. In the latter instance the design is to explicate how the 'absolute' or 'real' value of commodities may be estimated, and then to assess how changes in those values over time may be quantified.<sup>2</sup> The search for a standard of value may be regarded, then, as the search for a unit of social accounting - which in Smith's case centres on the problem of designating an index number of welfare capable of estimating the general (and variable) purchasing power of goods over time and constitutes,

(1) See Chapter 3, pp.149-153.

(2) See, for example, Blaug, Mark, Economic Theory in Retrospect, (Cambridge CUP, 1962), (4th ed.), p.49, and Gordon, Donald F, "What was the labour theory of value?", American Economic Review, Supplement, May, 1959, Vol.XLIX, pp.462-472, p.467. This introduction is based largely on the notions suggested by these two works.

therefore, the broadly quantitative dimension of value theory referred to by Ronald L. Meek.<sup>1</sup>

Both of these elements - the causative and the quantitative - are to be found in classical value theory, though the distinction between the two is often blurred,<sup>2</sup> largely because of a tendency on the part of the classical economists to regard the discovery of a measure of value as a preliminary to the explication of the cause of value.<sup>3</sup> However, the two concepts - real value and value in exchange - address different questions.

Having noted briefly the difference between the principles necessary for a theory of value per se, and those principles requisite for the determination of a measure of value, I now propose to adumbrate, briefly, the conditions necessary for the formulation of a labour theory of value. The reasons for this explication are two-fold: firstly, because of the prominence of putative labour theories of value within the literature examined by this thesis; and secondly, and more particularly, because it is frequently alleged that Adam Smith posited not one but two, or indeed three, labour theories of value.<sup>4</sup>

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- (1) Meek, Ronald, L., Studies in Labour Theory of Value (London, Lawrence and Wishart Ltd., 1973), pp.62-3, passim. Meek argues that a value - principle should not only be capable of explicating why a particular article possesses the "power of purchasing other goods", ipso facto, but also why it possesses this power to the extent that it does, and concludes that this extent can only be gauged if a means of measuring that value is first acquired.
  - (2) Gunnar Myrdal notes that classical value theory usually consists of two layers, "the outer and visible layer is a theory of exchangeable value, and beneath there is a theory of real value". The Political Element in the Development of Economic Theory, trans. P. Streeten (London, Routledge and Kegan Paul, 1961), p.61.
  - (3) Maurice Dobb makes a similar point. See Theories of Value and Distribution since Adam Smith: Ideology and Economic Theory (Cambridge, CUP, 1973), p.47.
  - (4) See, for example, Douglas, Paul H., "Smith's Theory of Value and Distribution", in Spiegel, H.W., (ed.), The Development of Economic Thought, (1961 ed.) (New York, J. Wiley and Sons, 1952), pp.113-143; and Schumpeter, J.A., History of Economic Analysis, (Oxford OUP, 1954), pp.309-310.

Given our earlier suggestion that a theory of value is concerned with the establishment of the principles governing the exchange rate of different commodities, a labour theory of value can be viewed as the proposition that the exchange rate of commodities is proportioned to the quantity of labour utilised in their production, including the labour expended in creating the necessary capital, extending backwards, presumably, as Blaug notes, to time immemorial.<sup>1</sup> Indeed it is the capacity to reduce capital to labour expenditure that forms the sine qua non of the labour theory of value.

This explanation of the determinants of value must, however, be differentiated from any theory proposing labour as the measure of value, be it a labour quantity, or a labour command theory. Labour in this context operates as a numéraire, or a yardstick, by which to measure the real value of a commodity over time. In other words, the labour theory of absolute or real value is based on the notion that an absolute number may be attached to an economic good, and that these absolute numbers are either the labour time that the commodity purchases (commands), or the labour time that it 'contains'.<sup>2</sup>

Throughout this thesis, therefore, we will designate the former a labour theory of value, and the latter a labour theory of absolute or real value.

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(1) See on this point, Blaug; op.cit., p.39, and Gordon, art.cit., p.462

(2) Gordon, art.cit., pp.466-7.

Smith outlines his purported intention to "investigate the principles which regulate the exchangeable value of commodities" in Book 1, chapter IV of the Wealth, at which point he isolates three particular areas of inquiry, each of which is to form the substance of a separate chapter.

First, he asks, What is the real measure of this exchangeable value; or, wherein consists the real price of all commodities.

Secondly, what are the different parts of which this real price is composed or made up.

And, lastly, what are the different circumstances which sometimes raise some or all of these different parts of the price above, and sometimes sink them below their natural or ordinary rate; or, what are the causes which sometimes hinder the market price, that is the actual price of commodities, from coinciding exactly with what may be called their natural price.

1

Whilst ostensibly discussing the question of exchangeable value, Smith is, of course, at this point, confounding the issue of how value is determined with that of how value may be quantified over time and place. In terms of the allocation of material between chapters, however, he separates out the issue of quantification (Chapter V, "Of the real and nominal price of commodities, or their Price in Labour, and their Price in Money") from that of determination (Chapters VI, "Of the component parts of the Price of Commodities", and VII, "Of the natural and market Price of Commodities").

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(1) WN.I. iv. 15-17.

Before dealing with his treatment of the quantification and determination of value respectively, however, we intend to consider Smith's attempt to differentiate value in use from value in exchange and to assess his success in resolving the problematic "paradox of value". Although the Wealth will provide the main source of material on this issue, some reference will be made to Smith's treatment of the paradox in the Lectures on Jurisprudence.

(ii) Value and Utility in the Wealth of Nations

Before beginning his exposition of the causes and measure of value, Smith differentiates between value in use and value in exchange.

The word value, he notes, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys, the one may be called 'value in use', and the other 'value in exchange'. The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange frequently have little or no value in use.

1

Thus water, which is "useful", scarcely has any value in exchange, or purchasing power, whilst diamonds, with scarcely any "value in use", have great value in exchange. This phenomenon represents the so-called "paradox of value" and forms the first point of controversy surrounding Smith's views on value.

Smith's presentation of the paradox has been interpreted by modern commentators as illustrative of the fact that classical analysis had not yet reached the point where it could distinguish marginal utility from total utility, and thus demonstrates the fact that prices are being calculated according to marginal utilities, and not total utilities.<sup>2</sup>

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(1) WN. I. iv.13.

(2) See Stephenson, Matthew, A, "The Paradox of Value: A Suggested Interpretation", HOPE, Vol.4, 1972, pp.127-139.

In other words, Smith, it is alleged, fails to 'solve' the paradox of value, because he fails to recognise that it is the exchange ratios of individual units of a good that should be compared, and not the whole class of commodities.<sup>1</sup> This reputed failure to link relative scarcity and respective utility has even been regarded by a number of writers as responsible for diverting value theory from its true course for a number of years.<sup>2</sup>

However, the claim that Smith failed to solve this paradox is unfair, for his (albeit cursory) treatment of value in the Lectures actually focuses on the very question of the relationship between scarcity, utility and price. Thus he declares: "if the commodity be scarce, the price is raised, but if the quantity be more than sufficient to supply the demand, the price falls." So diamonds are expensive, whilst iron, "which is much more useful", is cheaper, simply because diamonds are scarcer.<sup>3</sup> Similarly the price of water to a rich merchant lost in the deserts of Arabia would be high - because of its scarcity.<sup>4</sup> Smith appears, therefore, to have already explained the paradox; and in fact his decision in the Wealth to ignore this area of value theory can probably be explained by a difference in intention between the Lectures and the Wealth. In the Lectures his analysis centres on the demand side of price determination, but in the Wealth he is much more interested in

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(1) Douglas, art.cit., p.115.

(2) Ibid., p.116, Kauder, Emil, "Genesis of the Marginal Utility Theory", Economic Journal, Sept.1953, Vol. LXIII, pp.638-650.

(3) LJ(B), 227-228. See also LJ(A), vi. 70-75.

(4) LJ(B), 228.

explicating the supply side of the question.

A second criticism levelled at Smith's differentiation between use-value and value in exchange relates to the concept of utility employed. Specifically, it is asserted that he failed to recognise that utility is a necessary pre-requisite for the existence of value in exchange. Thus, H.M. Robertson and W.L. Taylor argue that Smith assumes "that 'utility' or 'value-in-use' is not a necessary ingredient of exchange value."<sup>1</sup> Now this is only true if it is assumed that Smith conceives of utility in the sense of desirability, or the capacity of an object to satisfy any human need want or desire, (good or bad).<sup>2</sup> In this sense utility would be a necessary pre-condition of exchangeable value.

However, Smith uses the term 'utility' in a different sense, that is, in the sense of the capacity of a commodity to support human life. He is, broadly speaking, concerned with the physical properties of the necessaries of life - or what Hollander denominates the "biological" dimension of utility.<sup>3</sup> Water is useful because it is "absolutely necessary for the support of mankind", whereas diamonds are of little use, indeed "one can hardly say what they serve for",<sup>4</sup> because they have no capacity to support life. The utility of commodities may be graded,

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(1) "Adam Smith's approach to the theory of value", Economic Journal, June, 1957, Vol. LXVII, pp.181-197.

(2) Meek, op.cit., p.72.

(3) Hollander, Samuel, The Economics of Adam Smith, (Toronto, University of Toronto Press, 1973), pp.136-137, passim.

(4) LJ(A). VI. 8.

therefore, according to their biological/physiological usefulness. When he discounts utility as a condition of value in exchange then, Smith is not naively suggesting that goods will still be demanded which fail to satisfy any need or desire, simply that the capacity of a commodity to sustain life is not a direct determinant of its value in exchange. <sup>1</sup>

Having briefly examined the ambiguities present in Smith's treatment of utility, we will now move on to consider his conception of real value and the problems consequent upon the formulation of the labour command thesis.

(iii) Real Value: The Labour Commanded Theory

As we have already intimated<sup>2</sup>, classical value theory was often bifurcated into a discussion of the source of value, and a discussion of the measure of value, and Adam Smith's theory was no exception. This section is concerned, therefore, with Smith's treatment of the measure of value and the role of labour within that treatment. It will be my aim to show that Smith's conception of the labour command theory related not to the issue of value determination at all, but to the question of how intertemporal and interlocal comparisons of value may

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(1) See Hollander, op.cit., p.136; Bowley, Marian, Studies in History of Economic Theory before 1870, (London, Macmillan Press Ltd., 1973), pp.133-142; Stephenson, art.cit., pp.130-132.

(2) See above section 2(1), pp. 84-88.

be estimated in order to gauge changes in welfare levels. In other words, Smith is interested in constructing a welfare index.<sup>1</sup>

That Adam Smith should embark on a quest for a means of measuring changes in the "real price" of commodities over time is hardly surprising given his interest in the links between welfare and the "nature and causes of the wealth of nations". Indeed, in the introduction to the Wealth of Nations, he specifies this concern by noting that depending on the magnitude of the supply of necessaries and conveniences, compared with the "number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniences for which it has occasion".<sup>2</sup> He is concerned primarily with economic development and growth, and concentrates in Book One on the distributive implications of that growth particularly as it affects the labouring classes, arguing that whatever increases the quantity of wealth in a country has the potential to affect per capita welfare levels.<sup>3</sup>

The well-being of the individual, for Smith, is conceived in terms of his capacity to command "the necessaries, conveniences and amusements of life".

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- (1) Cf., for example, Blaug, op.cit., pp.49-53; Bladen, Vincent, From Adam Smith to Maynard Keynes: the heritage of political economy, (Toronto, Toronto UP, 1974), p.20; Dobb, op.cit., p.47; Gordon, art.cit., pp.467, 472.
- (2) WN.Introd.2.
- (3) Cf., WN.I. viii. 36; and Bowley, op.cit., pp.98, 128.
- (4) WN.I.v.1. "Necessaries" for Smith include not only those goods "indispensably necessary for the support of life" but also "whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without". WN.V.ii.k.3. Cf., also WN.V. ii.k.15. Necessaries have both a biological/physiological and cultural dimension therefore.

Man's welfare is, therefore, a "function of his command over consumer goods".<sup>1</sup> Whatever increases that command increases the level of welfare of an individual; thus, the power immediately and directly conferred by a fortune is the power of purchasing.<sup>2</sup> Any attempt to measure welfare must measure this power of purchasing.

In primitive society this power is highly circumscribed, contingent as it is upon the capacity of each man's labour to provide him with all that he requires. Thus, as we have seen in section one, though wealth is distributed according to work - the labourer receiving the full fruits of his labour - life is precarious.

However, once the division of labour is established in any society, "it is but a very small part of these with which a man's own labour can supply him";<sup>3</sup> rather, he acquires all that he needs and wants by exchanging that "surplus part of the produce of his own labour", for such parts of the produce of the labour of others as he has occasion for. In such a society every man lives by exchanging, and becomes in this way, "in some measure a merchant".<sup>4</sup> His wealth now depends upon the quantity of the labour of others that he can command, as opposed to the quantity of goods

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(1) Hollander, op.cit., p.127.

(2) WN.I.v.3. Smith is here responding to Hobbes' claim that wealth is power.

(3) WN.I. v.1.

(4) WN.I.iv.1.

he can produce himself. Before elucidating how labour represents the real measure of value, Smith makes an important distinction between the "real price" of a commodity, and the 'real worth or value' of that self-same commodity.

The "real price of everything", or "what everything really costs to the man who wants to acquire it", Smith asserts, "is the toil and trouble of acquiring it".<sup>1</sup> Labour, in this context, signifies some kind of effort cost or disutility. It is synonymous with man's laying down of a "portion of his ease, his liberty, and his happiness".<sup>2</sup> Thus the pain of labour comprises the basic cost or price of acquiring wealth.<sup>3</sup> Labour is, as it were, "the first price, the original purchase - money that was paid for all things".<sup>4</sup>

In contrast, the real worth or value of a commodity presented for exchange, to the man who has acquired it, but does not wish to consume it, is "the toil and trouble which it can save to himself, and which it can impose upon other people".<sup>5</sup> What this suggests is that real value represents the flipside of disutility.

What is bought with money or other goods is purchased by labour, Smith proclaims, just as much as what "we acquire by the toil of our own body. That money or those goods ... save us this toil".<sup>6</sup> In other

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(1) WN.I.v.2. Douglas in his article mistakenly, I believe, gives this as an example of the labour "jelly" or labour quantity argument, art.cit., p.123.

(2) WN.I.v.7.

(3) Cf., Bowley, op.cit., p.113.

(4) WN.I.v.2.

(5) WN.I.v.2.

(6) WN.I.v.2.

words, the real value of a commodity to its owner resides in its capacity to obviate his need to experience the disutility of labour requisite to the acquisition of the good he actually wants, and to impose, by virtue of that ownership, the disutility of that labour on others - hence Smith's designation of real value as command over labour.<sup>1</sup>

In his construction of a measure of value Smith opts for a labour unit. Since the author regards labour as disutility, the unit of measurement must, therefore, be a unit of disutility. This raises two issues: is the level of disutility incurred in different occupations identical, and if it is not, can such differences as exist be reduced to a common unit? And secondly, is the disutility expressed by the labour unit constant from time to time, and from place to place?

With regard to the first issue, Smith readily concedes the difficulty of ascertaining "the proportion between two different quantities of labour".<sup>2</sup> The time spent in different occupations is not alone a sufficiently accurate measure of this proportion; account must also be taken of the different degrees of "hardship endured", and "ingenuity exercised".<sup>3</sup>

Although the relative pain costs incurred by different employments are not constant, it may still be possible, however, to reduce these

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- (1) See Blaug, *op.cit.*, p.50. Here he notes that, whilst the extent of a man's wealth is calculated by his command over other people's produce in commercial society, his actual pursuit of that wealth is inspired by a desire to save himself the disutility of labour.
  - (2) WN.I.v.4.
  - (3) By "ingenuity exercised", Smith apparently means the costs incurred in training, for he notes that: "There may be more labour ... in an hour's application to a trade which it costs ten years labour to learn, than in a month's industry at an ordinary and obvious employment" (WN.I.v.4.). Similarly, an hour's "hard work" may represent more labour (disutility) than "two hours easy business".

differentials to a common (wage) unit. The 'higgling and bargaining of the market' will, it seems, establish such an approximate wage structure reflecting both differences in hardship and ingenuity.<sup>1</sup>

That Smith should make only a tangential reference to the manner in which "competition equalizes the monetary return to units of disutility of labour"<sup>2</sup> is surprising, since he goes to greater lengths in Chapter X to demonstrate just this point, as we shall see shortly.<sup>3</sup> Nevertheless, Smith has indicated at least, if not actually demonstrated fully, that the differences in pain cost experienced in different occupations can be satisfactorily accommodated in a labour (qua wage) unit.

Since it is an essential pre-requisite of a measure of value that it be invariable in its own value, Smith's next task is to demonstrate that the disutility expressed by his labour unit is constant from time to time, and from place to place.<sup>4</sup>

Though common understanding might expect money to act as the measure of real value, since the value of commodities is normally estimated in money terms,<sup>5</sup> it is the very variability of the value of money which disqualifies it.

The quantity of labour which any particular quantity of them can purchase or command ... depends always upon the fertility or barrenness of the mines which happen to be known about the time such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before.<sup>6</sup>

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- (1) Blaug, op.cit., pp.49-53; Hollander, op.cit., pp.129-132; Bowley, op.cit., pp.114-116, and Douglas, art.cit., pp.117-122, all note this point.
- (2) Blaug, op.cit., pp.50-51.
- (3) Section 3(1), pp.
- (4) See WN.I.v.7.
- (5) See WN.I.v.6.
- (6) WN.I.v.7. See also WN.I. xi.f., where Smith discusses the reduction in value of metals due to the discovery of the American mines.

Labour, however, never varies in its own value. "Equal quantities of labour" are at all times and places "of equal value to the labourer".

Thus Smith announces:

In his ordinary state of health, strength and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. 1

If the labourer receives a variable quantity of goods, for a constant amount of labour, Smith proclaims, it is the value of the goods that has fluctuated. The disutility (effort cost) associated with that quantity of labour remains constant. This identification of a constant level of disutility with the performance of the same amount of work re-emerges later with McCulloch who also asserts that equal quantities of labour "must unavoidably occasion the same sacrifice to those by whom it is performed",<sup>2</sup> although the purpose of McCulloch's argument is not to demonstrate the invariability of labour, but rather to illustrate that the value in exchange of any commodity accurately reflects the labour expended in its production, and that if the quantity of labour is constant, the value of the article so produced is also constant.<sup>3</sup>

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(1) WN.I.v.7.

(2) McCulloch, J.R., Principles of Political Economy, henceforth PPE, 1825, edition 1, p.117. See also pp.118 and 120-21. (Original emphasis).

(3) McCulloch's assumption that labour occasions constant disutility is problematic for his theory of value. If labour is understood as disutility, then wage payments in a cost of production theory must reflect a disutility schedule of some sort. However, McCulloch, whilst conceding something to the Smithian wage-disutility schedule, usually regards wages as principally reflecting the wage fund ratio, or subsistence level.

On the supposition that the labourer always experiences constant disutility with the expenditure of a constant amount of labour, and that occupational differentials are adjusted by the 'higgling' of the market so that a common unit of labour (qua wages) may be identified, Smith is able to adduce the invariability of labour, and thence to demonstrate its universal applicability, and hence suitability as a measure of value.

Labour, therefore, ... is the only universal as well as the only accurate measure of value, or ... standard by which we can compare the values of different commodities at all times and at all places.

1

From the preceding exposition of Smith's concept of 'real value', and the labour command theory, it should be apparent that he is concerned with the question of a measure of value, that is with formulating a unit of social accounting, and not with the issue of how relative price may be determined. He is not advancing a labour theory of value. Indeed, the labour command hypothesis as an explanation of value in exchange would be something of a tautology. To suggest that the exchange ratios of goods are regulated by the labour and, by implication, the goods which they command in exchange, is simply to say that their exchange rate is regulated by their power of purchasing, which is, as Blaug points out, a nonsensical statement since power of purchasing necessarily means command over commodities.<sup>2</sup> Thus the assertion that Smith confounded the labour embodied in a commodity with the labour commanded by it seems to be unjustified.

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(1) WN.I.v.17.

(2) Blaug, op.cit., pp.52-53.

Having discounted the labour commanded thesis as an explanation of value in exchange, our next step in this chapter is to examine the hypotheses actually advanced by Smith to explain the determination of such value, namely both the "labour quantity", and "cost of production" theories.

(iv) Exchangeable Value: The Labour Quantity and Cost of Production Versions

The second aspect of Smith's treatment of the phenomenon of value relates to the manner in which exchanges are regulated, and comprises in Smith's account a labour cost model of relative price, tenable in primitive conditions only; a cost of production theory of relative price applicable in advanced society; and a consideration of the reasons for the divergence between natural and market price, which contains an exposition of the idea of resource allocation and market equilibrium. Whilst the last of these three is of particular note to historians of economic thought, it is of only limited relevance for this thesis, and will be dealt with only briefly. Our main concern here will be to explain the relationship between labour, value and property (or distribution).

The aim of this particular section, then, will be to elucidate the relationship between the two models, illuminating in our discussion (1) the status of labour within Smithian value theory, since Smith is often proclaimed as the advocate of not one but two (or indeed three) labour theories of value<sup>1</sup>, (ii) the suggestion that Smith formulated not

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(1) Schumpeter, *op.cit.*, pp.309-310 identifies three "labour" elements in Smith's theory of value: labour as a numéraire, a labour-disutility thesis; and a highly restricted labour quantity thesis.

only a labour theory of value which he subsequently abandoned, but also a labour theory of appropriation - also abandoned - which appears to be potentially inconsistent with his pronouncements on the origins of property in the Lectures,<sup>1</sup> and (iii) the ramifications of Smith's rejection of a labour cost model of value, for a cost of production model.

We begin with Smith's attempt, in Chapter VI "Of the component parts of the Price of Commodities", to address the problem of how value is determined.

The chapter opens with the delineation of what appears to be a labour quantity theory of value. Thus:

In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them one for another.

2

In other words, where land is a free good, and capital non-existent, the comparative amounts of labour requisite to the production of different commodities regulates their exchange rate. Smith evidences this with his famous beaver-deer paradigm:

If among a nation of hunters, he asserts, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days or two hours labour should be worth double of what is usually the produce of one day's or one hour's labour.

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(1) See Chapter 1.

(2) WN.I.vi.1.

(3) WN.I.vi.1.

The natural rate of exchange appears, therefore, to be determined by the number of man hours necessary to the production or acquisition of a commodity. This assumption is, however, qualified slightly, for even in this "early and rude state" different tasks incur different degrees of disutility. Thus: "If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship". In this way "the produce of one hour's labour" may often exchange "for that of two hours (sic) labour in the other".<sup>1</sup> Similarly differences in 'dexterity and ingenuity' reflecting 'the time and labour' spent in acquiring particular skills, must also be compensated for.<sup>2</sup>

Allowances are thus made in this natural rate of exchange for the differential characteristics of various employments; quantification of labour input would take account, therefore, of adjustments for differences in skill and hardship.<sup>3</sup> Smith is, however, curiously silent on how such adjustments would be made.

These few statements comprise Smith's labour quantity theory of value. Since his exposition precludes the existence of capital, presumably as the labourer always works with his bare hands, he manages to avoid the problem of reducing the value of capital goods expended in production to labour utilised on their production in the past.<sup>4</sup> Rather, he makes the special assumption that labour constitutes the only scarce productive

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(1) WN.I vi.2

(2) WN.I. vi.2.

(3) WN.I.vi.3.

(4) Blaug, op.cit., p.39. See below Chapter 3, pp154-209, Ricardo, and the "Ricardians" deal with this problem with varying degrees of success.

factor. Clearly the applicability of such a theory in explicating the problem of exchange ratios is limited, and indeed once Smith allows for the utilisation of other scarce factors in production this 'labour' explanation is abandoned.

Also in this epoch, Smith declares, "the whole produce of labour belongs to the labourer".<sup>1</sup> Now this statement is important in a number of ways. Initially, it suggests the operation of a labour principle of appropriation, temporally co-extensive with the operation of the natural (labour) rate of exchange, both being modified, or displaced, by the accumulation of stock and appropriation of land.

Secondly, this suggestion of a labour theory of entitlement when taken in conjunction with the later statement that "the property which every man has in his labour, as it is the original foundation of all other property, so it is the most sacred and inviolable"<sup>2</sup> might suggest that Smith's account of property in the Wealth is more redolent of Locke than it is of his own "spectator" treatment in the Lectures. This claim is, however, invalid.

With respect to the Lockean 'echo' discernible in Smith's latter pronouncement the context of its articulation is important. Smith is

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(1) WN.I.vi.4. See also WN.I. viii.2. As we shall see in Chapters 6 and 7, Smith's terminology is significant for the later socialist writers, and is echoed in such phrases as Thomas Hodgskin's demand that "the whole produce of labour ought to belong to the labourer". (Hodgskin, Thomas, Labour Defended against the Claims of Capital, 1825, Cole ed., 1922, p.83). Consideration of the relationship of Smith to the so-called 'Ricardian Socialists' is considered by, *inter alios*, Thompson, Noel, W., The People's Science (Cambridge, CUP, 1984); Douglas *art.cit.*, pp.128-133; King, J.E., "Utopian or Scientific? A reconsideration of the Ricardian Socialists", HOPE, 15:3, 1983, pp.345-373; Hollander, Samuel, "The post-Ricardian dissension: a case-study in economics and ideology", Oxford Economic Papers, 1980, n.s.32: pp.370-410.

(2) WN.I. x.c.12.

discussing the impropriety of policies and practices which restrict the free employment of labour, such as apprenticeships. He is, as it were, concerned with the personal property of man - his labour - and his freedom to use this property as he so desires - an admittedly Lockean notion - but one used for a particular purpose, viz, to advocate the abolition of artificial restrictions on the movement of labour.

"The patrimony of the poor man", he declares, "lies in the strength and dexterity of his hands". To hinder him from employing "this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property".<sup>1</sup> Thus every man should be free to choose his own employment.

Clearly this is not a statement about the way in which rights to property originate. As Donald Winch indicates, Smith's view of the origin of property entails heavy emphasis on physical property as opposed to property in man's person;<sup>2</sup> witness his tendency to list objects which may (or may not) be individual.

The earlier claim that in the 'early and rude state' of society, "the labourer enjoyed the whole produce of his own labour" does, however, intimate a statement about the origins of property, and is, in fact, perfectly consistent with Smith's analysis in the Lectures. There he based property acquisition on the traditions of occupation, accession, prescription, succession and voluntary transfer. A title to property was legitimated by the approval (or sympathy) of the impartial spectator.

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(1) WN, I.x.c.12.

(2) Cf., Winch, op. cit., p.58, and Haakonssen, Knud, The Science of a Legislator: The Natural Jurisprudence of David Hume and Adam Smith, (Cambridge, CUP, 1981), pp.116-117.

As we know, modes of acquiring property vary between stages, and Smith does not argue for a universally operative method of individuation, but he does acknowledge that labour - conceived as disutility - might excite the sympathy of the spectator. Thus the spectator may prefer the claims of A over B to an object on the grounds that A has, via the expenditure of labour, acquired a "reasonable expectation of use", and that to deprive him of that object would be to cause him more hurt than it would to deprive B who has no such expectation.<sup>1</sup> This is his argument for occupation-based rights. This view of Smith's is substantiated to some extent by a claim he advances in the Anderson Notes:

To deprive a man of the beast or fish he has caught, or of the fruit he has gathered, is depriving him of what cost him labour and so giving him pain, and is contrary to the laws of the rudest society. 2

His postulate that, prior to the accumulation of stock and inauguration of private property in land, the labourer receives the full fruits of his labour can thus be regarded as a statement of historical "fact". In other words, in this era, the expenditure of labour as a title to property was sufficient to invite the approval of the spectator. The very historical specificity of this mode of individuation in the Wealth can be seen to be defined by the time during which labour comprises the only productive factor expecting remuneration. Once the labour mode of individuation is supervened by claims to the product based on the provision of other non-labour factors, Smith is compelled to find an alternative explanation for this problem.

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(1) See above Chapter 1, sections 1 and 3(1) . See also LJ(A).i.37.

(2) Anderson Notes, i. See Haakonssen, op.cit., p.107.

His exposition concludes with another pregnant statement, namely that:

... the quantity of labour commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase command or exchange for.

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In primitive society labour input equals labour commanded. Thus the purchasing power of a commodity and its labour cost of production coincide. A man is, as Blaug notes, "rich or poor according to the value of his own labour services or his purchasing power over other men's labour services, for the two are identical".<sup>2</sup> But, as we shall see shortly, Smith's abandonment of a labour quantity theory of value and its replacement by a cost of production hypothesis, also has the effect of breaking this coincidence between labour expenditure and purchasing power.

In the nineteenth century the 'Ricardian' socialists, it has been argued, concluded from this non-coincidence of labour cost and purchasing power that the fact that the labour expended on a product was no longer sufficient to buy that good demonstrated that the worker was being defrauded.<sup>3</sup> The market was denying him the full fruits of his labour by enhancing "natural" (labour embodied) price with profit and rent, and

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(1) WN.I.vi.4.

(2) Blaug, op.cit., p.50.

(3) Thompson, Noel, W., op.cit., pp.86-96; King art.cit., pp.349-355

compelling him to pay a 'social' (i.e., enhanced) price.<sup>1</sup> Again Smith, unwittingly, points the way.<sup>2</sup>

Having premised that in primitive society the comparative quantity of labour expended in production alone regulates the ratio of exchange of various commodities, Smith immediately revises this explication of value determination when dealing with (more) advanced society.

The simple labour cost model is founded on the special assumption that labour represents the only scarce factor of production. However, once it is acknowledged that additional factors - viz land and capital - may cooperate in the production of commodities, and as such require recompense, then the labour cost explanation of relative price is visibly undermined, argues Smith. For:

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials ... /In such circumstances/ The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer.

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- (1) This distinction between "natural" and "social" price is Hodgskin's. See his Popular Political Economy, 1827, (Reprinted, New York, Augustus M. Kelley, 1966), p.220.
- (2) The extent of Smith's influence will be considered in Chapters 6 and 7.
- (3) WN.I. vi.5.

In this state, "the whole produce of labour does not always belong to the labourer".<sup>1</sup> The product must normally be shared with the capitalist. The price of a commodity is now regulated by both wages and profit. Similarly:

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come even to him, to have an additional price fixed upon them.

2

Thus, once land is appropriated, the labourer must yield a part of his produce to the landlord.

This portion, or what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities makes a third component part.

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The emergence of rent and profit (or property income) has a number of far-reaching overtones for Smith's theories of distribution and value. Since profit and rent are due from the product of the combined operation of land, labour, and capital, labour expenditure alone does not create a sufficient title to property. The labour individuation hypothesis is undermined.<sup>4</sup>

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(1) WN.I. vi.7.

(2) WN.I. vi.8.

(3) WN.I. vi.8.

(4) The idea of profit and rent as "deductions" from the entire produce of labour will be explored in the appropriate sections on profit and rent. See pp.125-34 & pp.134-139 respectively.

Secondly, this very accumulation of capital and appropriation of land ipso facto invalidates the labour cost model of value. Price, or relative worth in commercial society, is determined by adding together the payments due to each factor required in the production of a commodity. Smith defines this 'natural price' as that price which is:

... neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of stock employed in raising, preparing and bringing it to market <sup>1</sup> according to their natural rates.

The final repercussion of Smith's alternative value theory concerns the way in which it serves to break the coincidence between labour cost and labour commanded, mentioned earlier. The real value of a commodity coincides in early society with labour cost. In more advanced society "the quantity of labour commonly employed in acquiring or producing any commodity", is no longer the only circumstance which can "regulate the quantity which it ought commonly to purchase, command, or exchange for".<sup>2</sup> Now an "additional quantity" is due for profit and presumably rent.

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- (1) WN.I. vii.4. The "natural rates" of profit and wages are regulated "Partly by the general circumstances of the society ... and partly by the particular nature of each employment". (WN.I. vii.1.) and the "natural rate" of rent is determined "partly by the general circumstances of the society or neighbourhood in which the land is situated and partly by the natural or improved fertility and of the land" (WN.I.vii.2.). Each of these determinants will be considered in the relevant sections. In addition to this, natural price represents the price about which the market price - determined by "the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity" - gravitates. (WN.I. vii.8.)
- (2) WN.I. vi.7.

This suggests to Smith that in a civilised country:

... the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market. 1

In other words, the real value of the annual produce of a country will exceed the labour expended in its production by the amount of rent and profit included.<sup>2</sup>

The difference between the labour embodied in a commodity and the labour commanded by that commodity represents for Smith, in contrast to the Ricardian socialists, not evidence of exploitation but a positive asset, that is, the potential for accumulation.

If the society was annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. 3

Since the accumulation of stock, with its tendency to foster the division of labour, and enhance per se labour productivity leads ultimately to an increase in the aggregate wealth of a nation, it is, for Smith, something to be promoted, not avoided.

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(1) WN.I. vi.24.

(2) See WN.I. vi.24.

(3) WN.I. vi.24.

It can be seen from the foregoing that Smith's simple labour explication of value was of limited historical validity serving only to indicate the manner in which exchange value was regulated in a society characterised by the absence of stock, and by the community of land. Once society has progressed beyond that stage, value is regulated by different, cost of production, principles. The natural price of a commodity consists in a summation of all the amounts payable to all the factors cooperating in its production.

Rent, wages, and profit not only represent, individually, the component parts of price, however, but they each represent, also, a principal source of revenue or income. In this way:

... (A) 11 ... the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land. The whole of what is annually either collected or produced by the labour of every society, or what comes to the same thing, the whole produce of it, is in the manner originally distributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue as well as all exchangeable value.

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(1) WN.I. vi.17. Should anyone own more than one factor they would receive the income due to each, as the gardener owning his own garden and cultivating it with his own hands receives the rent of the landlord, profits of the farmer and wages of the labourer. (WN.I.vi.23.)

It is the capacity, then, of each of the factors identified by Smith <sup>1</sup> to command a price that determines the distribution of income within society. It will, therefore, be the principal aim of the next part of this chapter to examine Smith's theory of distribution.

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(1) Namely, land, labour and capital.

Section 3: Distribution in the Wealth of Nations

Distribution for the classical economists is primarily concerned with the pricing of productive services, and with elucidating, therefore, how the returns to the several factors combining in production may be determined.<sup>1</sup> These factors are normally identified as three in number, land, labour and capital, to which conform three particular forms of income, rent, wages and profit, each of which devolves upon a particular specifiable and distinct social class, the class of landlords, labourers or capitalists. For Smith, his "cost-of-production" or "adding-up" thesis of price necessarily implies, and is implied by, his theory of distribution, since the price of any commodity is calculated by adding together the costs to land, labour and capital. The question of distribution is, therefore, largely an empirical question concerned with how such returns are calculated, ignoring on the whole the issue of the normative bases of such factorial returns. The assumption is that as the owners of productive property, the landlord, the capitalist and the labourer are entitled to returns on the very grounds of that ownership. How such a title originates is not usually an issue addressed in distribution theory. This is particularly true of the Ricardians<sup>2</sup> and Malthus; though with Smith is it possible to some degree to supply these normative bases by reference to his writings on entitlement in the Lectures on Jurisprudence and the later sections of the Wealth.<sup>3</sup>

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(1) Frank H. Knight, "The Ricardian Theory of Production and Distribution" and II, Canadian Journal of Economics and Political Science, 1935, Vol. I, pp. 3-25, pp. 171-196.

(2) That is, Ricardo, McCulloch and James Mill.

(3) See above chapter 1, pp. 10-75.

We will return to this question of the link between distribution and entitlement at the beginning of chapter 4 when we consider the theories of distribution advanced by the Ricardians et al.<sup>1</sup>

Having claimed that distribution theory is principally concerned with the pricing of productive factors, it is also necessary to acknowledge that fully-fledged distribution theory also addresses the question of resource allocation.<sup>2</sup> Whilst we do not propose to deal with this question to any degree in this thesis, it is significant that Smith, in contradistinction to his immediate successors, actually recognised the coincidence between costs of production and distributive payments, perceiving that it was possible to transfer resources from any of the three sectors to alternative uses in order to restore market equilibrium, and thus to equalise returns in all competing fields. As Knight makes clear, this equilibrating process in the "Ricardian" schema was conceived exclusively as a function of capital flow.<sup>3</sup>

This particular section on distribution will be divided into three sub-sections. The first will treat of Smith's conception of wages; the second his conception of profit; and the third his conception of rent. Whilst his actual pronouncements on the above areas leaves something to be desired, some consideration of the details of Smith's theory of distribution is necessary in order to understand the line of development pursued by his

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(1) See below, chapter 4, pp.216-219.

(2) Cf, Knight, art.cit.,p.6.

(3) Ibid.,pp.173-5. Here Knight explores the limitations of the Ricardian scheme with regard to the allocative implications of distribution.

successors.

(1) Wage Theory and the Doctrine of Net Advantages

Virtually all the Classical wage theories stem from the varied approaches to be found in Adam Smith's Book I, Chapter VIII. This contained elements of a wage-fund theory, a productivity theory, a residual theory (this stemmed from Natural Law - labour produced the whole product but had to submit to deductions in the form of profits and rent), a bargaining theory, and ... a subsistence theory.

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Smith's theory of wages is far from consistent or systematic, as the above quotation recognises; instead it reads like a digest of all the theories of wages later advanced by his successors, and is of importance to this thesis primarily for that reason.<sup>2</sup>

"The produce of labour" Smith argues, "constitutes the natural recompence or wages of labour",<sup>3</sup> and indeed prior to the accumulation of stock and appropriation of land, the labourer would have received the whole produce of his labour. Had this state continued "the wages of labour would have augmented with all those improvements in its productive power to which the division of labour gives occasion".<sup>4</sup>

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(1) O'Brien, D.P., The Classical Economists (Oxford, Clarendon Press, 1975), p.111.

(2) Where Smith's wage theory is of particular intrinsic, and innovative value is in his development of Cantillon's theory of net advantages, which is largely outside the scope of this thesis. Cf. Blaug, op.cit., p.47.

(3) WN.I. viii.1.

(4) WN.I. viii.4.

But, unfortunately for the labourer, it did not, "it was at an end ... long before the most considerable improvements were made in the productive powers of labour."<sup>1</sup>

The first of the plethora of wage theories outlined above which we encounter is the residual-claimant theory.<sup>2</sup> Once capital has accumulated and land becomes private property, payments to rent and profit are deducted from the produce of labour; rent as a kind of monopoly payment, and profit as the capitalist's just reward for the provision of materials and maintenance to the labourer.<sup>3</sup> Wages consist, then, in the residue left after these deductions. This introduces us to the second of Smith's ideas - the wage-fund theorem.

It is implicit in his treatment of the origin of profit that capital comprises a pre-existing stock of goods. These goods are advanced to the labourer to support him throughout the productive process. Thus:

... a stock of goods of different kinds ... must be stored up somewhere sufficient to maintain him (the worker) and to supply him with the materials and tools of his work till such time, at least, as both these events (i.e. the completion of production and sale of the good) can be brought about.

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- (1) WN, I. viii. 5.
  - (2) Blaug's term, op.cit., p.44.
  - (3) The question of rent and profit as "deductions" will be considered in the sections on Rent and Profit, pp.134-30 & pp.125-34 respectively.
  - (4) WN, Intro. 2. Although Smith Talks of a "stock of goods", he also refers to the money available to pay wages in a similar context. Cf. WN I.viii., 54ff.

Because the greater part of labourers require this advance of material Smith is able to assert that "the demand for those who live by wages ... cannot but increase in proportion to the increase of the funds which are destined for the payment of wages."<sup>1</sup> Smith postulates, therefore, a relationship between the magnitude of capital available for wage payment and the demand for labour. Unfortunately, however, he fails to explore the implications of this relationship.

What is of especial interest is the idea that the "funds which are destined for the payment of wages" are of two kinds, revenue, utilised in the maintenance of unproductive labour - the menial servant, for example - and stock, employed in the support of productive labour. This distinction between productive and unproductive labour appears to turn on two elements: firstly, the idea that the expenditure of productive labour adds value to a subject, whilst the expenditure of unproductive labour does not,<sup>2</sup> and secondly, the concomitant notion that the labour of the productive worker "fixes and realizes itself in some particular subject or vendible commodity which lasts for some time at least after that labour is past", and which is, as it were, "stocked and stored up to be employed, if necessary, upon some other occasion",<sup>3</sup> whilst the services of the unproductive labourer, "generally perish in the instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured".<sup>4</sup>

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(1) WN.I.viii.18. Cf. Blaug, *op.cit.*, pp.44-46.

(2) WN.II. iii. I. Smith does not disparage the worth of unproductive labourers, acknowledging their usefulness, but denies that they contribute tangibly to the increasing wealth of a nation.

(3) WN.II.iii.1.

(4). WN.II. iii.1.

Thus productive labour is that which can result in capital accumulation, whilst unproductive labour, though rendering a service, cannot. On the assumption that the increasing wealth of a country is contingent upon its capacity to accumulate capital, the proportion of productive to unproductive labourers is important. Thus "a man", and presumably a nation, "grows rich by employing a multitude of manufacturers : He grows poor, by maintaining a multitude of menial servants".<sup>1</sup> It would be in a nation's interest, therefore, to increase the number of the former, and reduce the number of the latter.

As we have seen, Smith's conception of wage determination assumes inequality of property distribution; the labourer does not own the "stock" sufficient for his support or his employ, but must rely on its provision by another. Not only does the common wage of the labouring class depend upon the size of the wage-fund, but, in addition, it "depends every where upon the contract usually made between those two parties, whose interests are by no means the same".<sup>2</sup> The workers want as high wages as possible, the masters want to pay out as low wages as possible. The advantage in this bargaining situation lies with the employer. "The masters, being fewer in number, can combine much more easily."<sup>3</sup> Unlike the workmen, their combinations are not prohibited by law. Thus, masters "are always and everywhere in a sort of tacit, but constant and uniform combination, not to

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(1) WN.III.iii.1. Smith's differentiation between productive and unproductive labour is obviously contingent. It is possible that unproductive labour - e.g. teaching - may lead directly to productive labour - e.g. the construction of a new machine. Cf. Blaug, *op.cit.* p.55; and McCulloch, "Political Economy", Supplement to the Encyclopaedia Britannica, 1824, pp.274-5.

(2) WN.I.viii.11.

(3) WN.I. viii.12.

raise the wages of labour above their actual rate".<sup>1</sup>

However, although the employer is in a position of advantage, Smith argues, there is a "certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages of even the lowest species of labour".<sup>2</sup> The wages of labour must be at least sufficient to maintain the labourer - and if necessary to enable him to raise a family, in order to ensure a constant supply of labour. This is, the "lowest rate which is consistent with common humanity".<sup>3</sup> Underlying the notion of a wage rate determined by a process of bargaining, therefore, is the conception of a subsistence wage rate which forms the minimum acceptable rate of remuneration for labour, with this minimum, as previously observed, regulated according to both biological/physiological and cultural criteria.<sup>4</sup> This notion of a subsistence theory of wages is normally understood, therefore, as a long-term theory of constant costs.<sup>5</sup>

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(1) WN.I. viii.13.

(2). WN.I.viii. 14.

(3) WN.I. viii.28. In Britain wages are above this minimum. This is evidenced by (1) distinction between summer and winter wages - summer wages are highest which is significant since expenditure (on fuel etc.) is greater in winter. (2) The fact that wages do not fluctuate with price of provisions. (3) The fact that wages of labour may vary greatly from place, whilst price of provisions is fairly uniform throughout the country. (4) "The variations with the price of labour not only do not correspond either in place or time with those in the price of provisions but they are frequently quite opposite". (See WN.I.viii.28-35). It should be noted that whilst Smith makes no strict (and inevitable) correlation between the price of provisions and the wage rate, he does point out that the money price of labour is regulated by two circumstances - the demand for labour and the price of goods since the money price of labour is determined by the amount necessary to purchase whatever quantity of goods constitute the minimum wage payment for labour at a particular state of time. (See I.viii.53ff).

(4) Cf., WN.V.ii .k.3, 15; see above section 2 (ii), pp. 92-100.

(5) Blaug, op.cit., p.45. See also WN.I. viii.39. "Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it". Clearly, this is suggestive of Malthus' later thesis.

There are, however, certain circumstances, Smith argues, in which the remuneration of the labouring classes will be in excess of this minimum rate. When the stock and revenue destined for the payment of labour are increasing. For example, the demand for labour will also increase. Thus wages depend upon the rate of change in the demand for labour, which is in itself contingent upon the rate of capital accumulation.<sup>1</sup> "It is not the greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour".<sup>2</sup>

The wages of labour, and standard of living of the labouring class are, therefore, affected by the rate of capital accumulation. Where capital accumulation outstrips population size,<sup>3</sup> wages tend to be high, since the demand for labour exceeds its supply - this is the progressive state. Under such conditions "the scarcity of hands occasions a competition among masters who bid against one another, in order to get workmen",<sup>4</sup> thus breaking their tacit combination.

Where capital accumulation is stationary, wages will not tend to be very high, though the demand for labour remains fairly constant, the slight tendency in its supply to increase means that wages are reduced, by competition amongst the labouring classes to the "lowest rate which is consistent with common humanity."<sup>5</sup> This is the stationary state.

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(1) Dobb, op.cit., p.51.

(2) WN.I. viii.22.

(3) Presumably labouring population.

(4) WN.I. viii.17.

(5) WN.I. viii.24.

Where the demand for labour is actually diminishing, "want, famine, and mortality would immediately prevail ... till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock" remaining in it.<sup>1</sup>

As we mentioned earlier, "the liberal reward of labour" is both the "necessary effect ... (and) the natural symptom of increasing national wealth",<sup>2</sup> something to be encouraged not eschewed. Scanty provision is indicative of stagnation, and starvation emblematic of degeneration. Hence:

"It deserves to be remarked," Smith proclaims, "that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement or riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull, the declining, melancholy."<sup>3</sup>

The liberal reward of labour is to be promoted for a number of reasons: it encourages assiduity and industry, as it "increases the bodily strength of the labourer", and his hope of bettering his condition; he has, as it were, an increased incentive to be productive.<sup>4</sup> Piece-work

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(1) WN.I.viii.26.

(2) WN.I. viii 27. See above section I, pp. 78-83.

(3) WN.I.viii.43.

(4) WN.I. viii.44. Smith also notes that: "Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low."

however, is to be discouraged since it has the adverse effect of prompting men to over-work, and thus to damage their health.<sup>1</sup> The question of productivity raises an interesting problem for Smith's treatment of wages, since he declares that the greatest incentive to industry arises from the enjoyment of the full fruits of one's labour. Thus a "poor independent workman will generally be more industrious than even a journey-man who works by the piece. The one enjoys the whole produce of his own industry; the other shares it with his master".<sup>2</sup> And, indeed, Smith notes that the independence of artisans is greatly preferable to the position of hired servants who are paid a flat rate irrespective of performance.<sup>3</sup>

It appears, therefore, that whilst the "deductions" of rent and profit are "legitimate"; the greatest incentive to human productivity is the full enjoyment of the fruits of one's labour, a point that seems in part, at least, to conflict with Smith's prior comments about the division of labour.

Smith's greatest contribution to wage theory, however, consists in his treatment of relative wages.<sup>4</sup> Since this is simply of indirect importance to this thesis, I propose only to consider his treatment in brief.

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(1) Cf. WN.I. viii.44.

(2) WN.I.viii.48.

(3) WN.I.viii.48.

(4) The so-called doctrine of "net advantages" derived from Cantillon.

Smith is concerned to demonstrate that there is a natural equality between different forms of employment. The notion of equality is used in two senses: initially in terms of the equilibration of returns, so that an occupation which appeared to offer disproportionately advantageous rates of remuneration would attract a great number of candidates usually with the result that the rate of return would be reduced to that of an equality with other fields,<sup>1</sup> and, secondly, in the sense of the doctrine of "net advantages". With regard to this latter notion Smith observes that although the level of monetary return varies between different occupations, the "net advantages" of those different occupations, both real and imaginary, is, in fact, equal.<sup>2</sup>

There are five factors which may be isolated as the source of the differential monetary remuneration of varying employment, and which require accommodation in the wage scale, if the doctrine of "net advantages" is to prevail, and these are: the "agreeableness or disagreeableness" of the jobs themselves; the "easiness and cheapness", or "difficulty and expense" of training; the "constancy or inconstancy" of employment in them; the degree of trust reposed in their executors, and finally, the chances of succeeding in the chosen field.<sup>3</sup>

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(1) Smith assumes that "perfect liberty" is operating, and that every man is able to choose his own employ.

(2) Cf., WN.I. x.b.39.

(3) WN.I. x.b.1.

Each of these differential characteristics is analysed separately by Smith. The major assumption underlying his argument is that the greater the disutility involved in any occupation, the greater the remuneration. Higher wages compensate great disutility. Thus, the more dirty or disagreeable a job, the higher the remuneration - both to labour, and capital.<sup>1</sup> Similarly the greater the investment requisite to learn a skill or business, the greater the ultimate remuneration.<sup>2</sup> Likewise, the hazards of seasonable employment also affect wage differentials. If constant employment cannot be guaranteed, men can usually command a higher rate of remuneration than normal in order to compensate for their periods of unemployment.<sup>3</sup>

In addition to this, the level of trust incumbent in a particular occupation affects the relative wage structure. The argument employed in support of this case is less obviously derived from considerations of disutility. Indeed, it seems to be founded on a consideration from security, as in the example of the jeweller, where additional remuneration forms a kind of insurance policy against theft.<sup>4</sup> Smith also assumes a necessary link between responsibility, status and remuneration. In this way the reward of those in positions of trust "must be such ... as may give them that rank in the society which so important a trust requires."<sup>5</sup>

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(1) WN.I.x.b.3-4.

(2) WN.I. x.b.6.

(3) See WN.I. x.b.11-15.

(4) Blaug, op.cit., p.47.

(5) WN.I. x b.19.

His final source of wage-differential concerns the uncertainty of success in particular fields of employ. Where chance of success is low - perhaps from reasons of over-subscription - the remuneration received by the successful ought to cover "all that should have been gained by the unsuccessful".<sup>1</sup> In actuality, however, it does not.

The purpose behind this discussion of the relative wage structure relates back to Smith's concern with the establishment of a measure of value, and his concern with estimating changes in levels of welfare over time. The construction of such a measure required that labour could be reduced to a common wage unit, and a wage scale be set. Smith's doctrine of "net advantage" is part of that attempt to establish such a common unit.

Having reviewed the multiplicity of ideas inherent in Smith's explanation of the determination of the wage-rate, it is time to consider his conception of profit, and to explore the issue of whether profit represented a deduction from or addition to the value of the commodity produced by labour.

(ii) Profit: Deduction or Addition?

According to Mark Blaug in Economic Theory in Retrospect<sup>2</sup>, Smith had "no theory of profit or pure interest at all". Although this may

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(1) WN.I. x.b.22. Cf., WN.I. x b.22-26.

(2) Blaug, op.cit., p.39.

indeed be true, Smith's pronouncements, on the nature and source of profit particularly, provided the basis upon which many of the classical economists built.

In this section we will endeavour to elucidate three aspects of Smith's theory of profit: The nature of the profit reward, the source of that profit and reason for its existence, and the determination of its level.<sup>1</sup>

From the outset Smith distinguishes profits from the wages of management, a distinction adhered to by many of his successors.<sup>2</sup> "The profits of stock", he asserts, might be regarded as "a different name for the wages of a particular sort of labour, the labour of inspection and direction. They are, however, altogether different."<sup>3</sup> Rather profit represents a return on capital.<sup>4</sup> It comprises interest plus a risk premium.

Thus, the capitalist only lends or advances his stock on the expectation of receiving "something more than was sufficient to replace his stock to him".<sup>5</sup> Not only will he not lend his stock "for less than the use of it is worth", but the debtor must also "pay him for the risk which he runs by accepting the full value of that use".<sup>6</sup>

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(1) Categories used by O'Brien in his book The Classical Economists, (Oxford, Clarendon Press, 1975), p.119.

(2) Cf. McCulloch, for example; see Chapter 4, Section 3(ii) pp.285-288.

(3) WN.I.vi.6.

(4) E.g. WN.I.vi.6. "They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock."

(5) WN.I.vi.5.

(6) WN.II.iv.14.

Smith's consideration of the nature of profit extends no further than this. His examination of the manner in which profit originates is, however, of more note. The interesting question in this area pertains to whether or not Smith regarded profit as a deduction from the product of labour, or an additional contribution to the value of that product.

Until stock accumulates "in the hands of particular persons", profit is not paid and the labourer continues to receive the entire fruits of his exertions.<sup>1</sup> However, once capital has become the private property of a distinct class of capitalists, profit, initially represented as a "deduction" from the product of labour, comes to be paid, apparently as a consequence of that appropriation.<sup>2</sup>

The function of the owners of capital in Smith's advanced society, is to set to work industrious people, "whom they will supply with materials and subsistence",<sup>3</sup> for "it seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master".<sup>4</sup> The necessity for the advance of such stock is not only confined to agriculture, however, but pervades "all arts and manufactures". Here, "the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be completed".<sup>5</sup> The worker depends, therefore, upon the pre-existence of a

(1) Cf. WN.I. vi.5-7; WN.I.viii.2,7-8.

(2) Smith did believe that independent artisans could exist - owning both capital and labour - but he was interested in the workings of an economy where division of function is the norm. EQ. WN. I.viii.9.

(3) WN.I.vi.5.

(4) WN.I.viii.7.

(5) WN.I.viii.8.

wage-fund. "In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him."<sup>1</sup>

Clearly, the fact that capital is owned by a class distinct from the labourers explains the origin of payment for its use, but it does not, ipso facto, explain what motivates the capitalist to furnish such funds and materials.<sup>2</sup>

Motivation for such provision undoubtedly lies in the capitalists desire "to make a profit by the sale of their ~~the~~ labourers' work, or by what their labour adds to the value of the materials".<sup>3</sup> Thus, the only incentive the capitalist has to employ a workman derives from the former's expectation that he will receive "something more than what may be sufficient to replace his stock to him".<sup>4</sup>

John Ramsay McCulloch, in the 1825 edition of the Principles of Political Economy makes a similar point, when noting that wage goods will never command the same quantity of labour required to produce them:

It will always exchange for more; and it is this excess that constitutes profits. No capitalist could have any motive to exchange the produce of a given quantity of labour already performed for the produce of the same quantity of labour to be performed. This would be to lend without receiving interest on the loan.

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(1) WN.I.vi.7.

(2) Cf. Douglas, art.cit., p.132.

(3) WN.I.vi.5.

(4) WN.I.vi.5.

(5). McCulloch, PPE, 1825, pp.119-20. Cf. Blaug, Mark, Ricardian Economics, A Historical Study (New Haven and London, Yale UP, 1958), p.48.

The implications of both Smith's and McCulloch's assertions are of interest. The fact that the capitalist, because of his ownership of, and control over, capital is entitled to a share of the product of labour, allied with the notion that, in the early stages of society, the labourer did actually receive the entire produce of his labour, may indicate that profit derives from exploitation. In other words, it is the fact that the labourer, when dispossessed of capital (and land) is disabled from 'waiting', or maintaining himself throughout the productive process, that enables the capitalist to extract a profit, (and the landlord his rent).<sup>1</sup>

However, although such an interpretation implies that Smith and McCulloch, who also identifies the "earliest stages of society" as those in which "all the produce of labour" belongs to the labourer"<sup>2</sup>, are aware of the exploitative basis of profit, it is clear from a further consideration of their writings that both authors deliberately avoid this conclusion. In fact even Smith's choice of the word "deduction" to represent profit cannot be viewed in an anti-capitalist light.

Implicit in those "exploitation" theories of profit developed by the so-called 'Ricardian Socialists' in the nineteenth century is the idea that capital-based income is illegitimate - and exploitative - because

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(1) Blaug, op.cit., (1958), pp.48-49.

(2) McCulloch, J.R., "Political Economy", in the Supplement to the Encyclopaedia Britannica, 6th ed., 1825, p.263.

based on a violation of the natural law of appropriation which regards the expenditure of labour alone as a sufficient title to property; and since the productivity of capital derives exclusively from the application of labour, profit constitutes an illicit deduction from the rightful product of labour.<sup>1</sup>

For Adam Smith, however, the question of capital productivity was answered differently. Capital is conceived of as a stock of products,<sup>2</sup> comprising both circulating capital, or the wage-goods necessary to support the labourer throughout the time-consuming process of production; and fixed capital, or the machinery, buildings and so on, capable of increasing labour productivity directly, through its capacity to "facilitate and abridge labour",<sup>3</sup> and "to increase the productive powers of labour", so as "to enable the same number of labourers to perform a much greater quantity of work".<sup>4</sup>

Taken in conjunction with the claim that capital supports the division of labour, thereby increasing labour productivity<sup>5</sup> - "the quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it", but also as a consequence, "the same quantity of industry produces a much greater quantity of work"<sup>6</sup> -

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- (1) See below chapters 6 and 7, for a more detailed discussion of this topic.
- (2) Cf., e.g. WN.II. Introd.2.
- (3) WN.II. 14,16.
- (4). WN.II.ii.7.
- (5) Cf. WN.II. Introd.3-4.
- (6) WN.II. Introd. 4.

it is clear that Smith envisaged capital as cooperating with labour in production in a very positive, and productive sense.

The question is, if capital in collaboration with labour in production allows for a greater product to be generated, why is it that Smith conceives of profit - the return on capital - as a "deduction" from the produce of labour?

The answer is simply that Smith is not making a statement about capital productivity at this point, but rather a statement about the ownership of that factor.<sup>1</sup> Profit represents a "deduction" by virtue of the fact that, if the labourer owned both capital and labour then he would reap the whole (enhanced) value of the product, but as he does not, his reward is subject to the deduction of the return on capital.<sup>2</sup> Although Smith pays scant attention to the manner in which capitalists acquire capital in the Wealth, he accepts that such productive property belongs only to a few, and that this ownership, as such, both enables and entitles them to make a charge for its use.<sup>3</sup>

Such a charge would presumably be justified by Smith on two counts: firstly, because he conceives security of property as integral to the continued existence of society,<sup>4</sup> and secondly because the right of property outlined in

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(1) Cf. Hollander, op.cit., p.151.

(2) Hodgskin dispels the myth that capital is productive by demonstrating that all its putative benefits may in fact be ascribed to co-existing labour, see his Labour Defended Against the Claims of Capital, (London, 1825), Cf., Chapter 7, pp.444-451.

(3) Cf., Douglas, art.cit., p.134. This also applies to land as we shall see shortly, see Section 3(iii), pp.134-139.

(4) See above, Chapter 1, section 1, pp.12-17.

the Lectures, includes the proposition that the owner of an object can "use it himself as he thinks fit", <sup>1</sup> which implies both the right to exclude others from its use, and the right to utilise that property in the derivation of income.

In addition to this, Smith would no doubt countenance the derivation of income from property, on the same grounds as he countenanced the inequality of property distribution consequent upon the establishment of the division of labour: namely, that the labourer, although no longer rewarded with the entire fruits of his labour, is nevertheless better off than he would be in a situation in which he received the entire fruits of his industry, but was compelled to produce all that he required. Smith's consideration of the origin of rent follows a similar pattern. Moving on from the question of the origin of profit, Smith next addresses the issue of the determination of its rate.

In Chapter VII, "of the natural and market price of commodities", Smith indicated that the natural rate of profit (like that of wages) was regulated "partly by the general circumstances of society, their riches or poverty, their advancing, stationary or declining condition, and partly by the particular nature of each employment".<sup>2</sup> However, although wages and profits are both dependent upon such factors, they are diversely affected by them. Thus, "the increase of stock, which raises wages, tends to lower profits", for the simple reason that "when the stocks of many rich merchants are turned into the same trade, their mutual competition naturally tends to lower its profit".<sup>3</sup> When stock has increased similarly in all branches of trade within

(1) LJ(A).1.17.

(2) WN.I.viii.1.

(3) WN.I.ix.2.

society, "the same competition must produce the same effect in them all",<sup>1</sup> and profit will decline.

The reason for this decline is not divulged until Book II, when Smith notes that:

As capitals increase in any country, the profits which can be made by employing them necessarily diminish. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. There arises in consequence a competition between different capitals, the owner of one endeavouring to get possession of that employment which is occupied by another. 2

In other words, as society progresses, the augmenting difficulty of finding profitable, and productive investment channels for capital leads to a fall in the profit rate. Although this fall in profit suggests a decline in trade, it is, in fact, "the natural effect of its prosperity, or of a greater stock being employed than before".<sup>3</sup>

In order to calculate the prevailing rate of profit all that is necessary, Smith contends, is to consult the market rate of interest at any time, since the trends of each are comparable.<sup>4</sup> Following his own advice, he observes, from a review of the interest rate since the time of Henry VIII, that "the wealth and revenue of the country have been continually advancing", whilst, "in the greater part of the different branches of trade and manufactures

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(1) WN.I.ix.2. Cf also I.x.c.26, and, II.iv.8.

(2) WN.II.iv.8.

(3) WN.I.ix.10. Cf., also WN.I.ix.14.

(4) WN.I.ix.4. Cf., also WN.II.iv.1-17.

the profits of stock have been diminishing".<sup>1</sup> Thus, whilst the level of economic development has been increasing - including the wage rate - the rate of interest has actually declined.<sup>2</sup> An increasing wage and profit rate tend only to be found together in those new colonies understocked in proportion to the extent of their territory, and underpopulated relative to the extent of that stock, compared with other countries.<sup>3</sup>

In an advancing state, wages tend, on the whole, to increase with the increase of stock, though profit may not be increasing; whereas, a diminution in the capital stock of a society tends to lower wages and to simultaneously increase profit, and thence interest. The rate of profit is determined, therefore, according to the availability of capital investment.

The final aspect of Smith's theory of distribution which we must examine is his concept of rent, to which we now turn.

(iii) Rent: Price - determined or price - determining?

A comparison of the views expounded by Smith on the subject of rent in chapters VI and VIII, and chapter XI, respectively, leads one to the inevitable conclusion that his treatment is far from consistent. In chapters VI and VIII, where he is concerned with the issue of price, or value in exchange, rent is regarded as price-determining, whereas in chapter XI, where he formally analyses rent as a distributive share, it

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(1) WN.I.ix.6.

(2) Blaug, Economic Theory, p.46. This, he argues, was "a familiar piece of casual empiricism, 18th-century style". Cf., O'Brien, op.cit., p.121.

(3) WN.I.ix.11.

is conceived to be price-determined.

With regard to this thesis, it is Smith's analysis of rent as an element of cost that is the most implicative for the ideas about property current at the time, and also for the development of socialist thought.

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce.

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Rent comprises, therefore, the first 'deduction' from the produce of labour.<sup>2</sup>

When land was held in common, the only cost the labourer had to 'pay' was the amount of labour requisite to acquire whichever of the "natural fruits of the earth" he so desired. However, once land was individuated, this initial labour cost was enhanced by the addition of rent. The labourer must "pay for the licence" to gather even the natural fruits of the earth and "must give up to the landlord a portion of what his labour either collects or produces".<sup>3</sup> Rent emerges, therefore, because land is privately held, and because the labourer must, in consequence, pay to use it. It becomes, as such, a necessary cost in the production of all those commodities derived from the land. It is, as it were price-determining.

The extent of this payment for the use of land is determined by the "highest (price) which the tenant can afford to pay in the actual circumstances of the land".<sup>4</sup> If someone can pay more for its use than the current tenant,

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(1) WN.I.vi.8.

(2) WN.I. viii.6. The landlord's rent "makes the first deduction from the produce of the labour which is employed upon land". See Chapter 7, Section 2(i), pp.432-444.

(3) WN.I.vi.8.

(4) WN.I.xi.a.1. Cf., WN.I.xi.a.5.

the land would, in all likelihood be turned over to them. Rent is, therefore, in Smith's term a "monopoly" price.

In his discussion of natural and market price Smith had averred that if rent falls below its natural rate - the rate regulated both by the level of economic development of a nation, and the differential fertility and locational attributes of that land<sup>1</sup> - then "the interest of the landlords will immediately prompt them to withdraw a part of their land".<sup>2</sup> Similarly if rent is above this natural rate, "the interests of all other landlords will naturally prompt them to prepare more land for the raising of this commodity".<sup>3</sup> Obviously this indicates that land has alternative uses. The price the farmer must pay for the use of that land will be a competitive price. The price of each commodity is determined by the costs peculiar to its production, at whatever level they are set by the market. Any examination of value in exchange will automatically focus upon the relative costs of producing particular commodities, and will not be concerned with the aggregate product of industry. Distribution, however, focuses on the manner in which the annual produce of industry is divided

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(1) WN.I.vii.2. Smith was of the conviction that rent varied with both differences in fertility and situation, with the land nearer a town, for example, always yielding a higher rent than equally fertile land at a greater distance, and he made the surplus generated as rent a function of these differences. (Cf., WN.I.xi.b.4). This has obvious implications for the theory of rent developed by Ricardo et.al., Cf. Blaug, op.cit., p.49, and Hollander, op.cit., pp.65-166. See below, chapter 4, section 1(ii), pp.223-238 & section 1(iii), pp.240-245.

(2) WN.I. vii.13.

(3) WN.I.vii.14.

between rent, wages, and profit.<sup>1</sup> Rent as an element of cost is distinct, therefore, from rent as the income of a particular class. In the light of this distinction, D.H.Buchanan has argued that the inconsistency in Smithian rent theory derives from this tension between rent as a cost of production, and rent as a distributive share.<sup>2</sup>

As a cost of production, as we have already seen, the amount of rent paid is regulated according to the competition for the use of land. If the rental payment could not be paid, the product would simply not be produced. However, as a form of class income rent is determined by the sale of the aggregate produce of land. Rent is, therefore, either paid or not paid according to this sale.<sup>3</sup>

In the chapter on Rent, Smith declares that "High or Low wages and profit, are the causes of high or low price; high or low rent the effect of it".<sup>4</sup> Rent is represented here as a price-determined surplus (or residuum) above the shares accruing to wages and profit.

Such parts only of the produce of land can commonly be brought to market of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with its ordinary profits. If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord.

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- (1) Cf., Buchanan, D.H., "The Historical Approach to Rent and Price Theory", Economica, 1929, pp.123-155. See esp.pp.126-134. This article was particularly influential in the drafting of this section.
- (2) Buchanan, art.cit.,p.129.
- (3) Ibid.,pp.129-30.
- (4) WN.I.xi.a.8.
- (5) WN.I.xi.a.6.

In the above quotation, Smith alleges that if capital and labour costs, plus profit, comprise the whole produce of land, then rent will not be paid. This clearly contradicts his earlier statement concerning the substitutability of land, for the implication here is that land cannot be transferred to an alternative use. It will either remain in production as it is, or be returned to nature.<sup>1</sup>

It is possible to explain this apparent contradiction, Buchanan notes, by remembering that distribution is concerned with the division of the annual product of the nation; and thus rent, as a share, will be determined by the division of the annual produce of agriculture, or with "raw produce" in a generic sense.<sup>2</sup> Thus land is substitutable between different species of raw produce - for instance, corn and barley - but is specialised in terms of raw produce as a whole.

That Smith understood this distinction is indicated by his contention near the end of Chapter VI, that:

As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other or all of those three parts; so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land. 3

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(1) Cf., Buchanan, art.cit., p.130.

(2) Ibid., p.131.

(3) WN.I.vi.17. (My emphasis). Cf., Buchanan, art.cit., p.128; Hollander, op.cit., p.167.

However, that he did not always adhere to this distinction<sup>1</sup> reinforces the claim of Smith's inconsistency in his discussion of rent; and explains, in part, his vacillation between a conception of rent as price-determined, and a conception of rent as price-determining. In Chapter 4, section 1, we can see that this conundrum was resolved in the West-Malthus-Ricardo explanation of rent, as a price-determined, differentially-regulated surplus.

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(1) E.g., WN.I. xi.a.8.

### Conclusion

In this chapter we have been concerned principally with two closely related aspects of Smithian thought: value and distribution. Value, for Smith, as we have demonstrated, required explication in a number of ways. Value in exchange had first to be contradistinguished from value in use, a process which led Smith to a highly restricted definition of utility as the capacity of goods to support human life. This definition enabled Smith to deny that utility was a necessary precondition of value in exchange, and served also to indicate the fundamentality of his concern with welfare in the Wealth.<sup>1</sup>

Secondly, the problem of value measurement had to be differentiated from the problem of value determination. Smith begins, therefore, with an examination of the conditions requisite to a measure of value. Here he is concerned with the question of measuring changes in intertemporal and interlocal welfare levels. This leads him to the enunciation of the labour command hypothesis. Some historians of economic thought have, on occasion, construed this thesis as an unsuccessful attempt at the formulation of a theory of exchangeable value. It has, we hope, been demonstrated in section 2(iii), that this interpretation is, in fact, erroneous.

From this Smith moves on to an examination of the conditions necessary to the determination of value, offering two temporally specific explanations: a simple labour cost account operative in a society characterized by the absence of capital, and the free availability of land; and a cost-of-production, or adding-up thesis, explicative of value determination in economies in which land, labour, and capital all comprise scarce resources capable of commanding a price.

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(1) See above, section 1, pp. 78-83.

These three aspects of Smith's theory of value - the labour command, the labour cost, and the cost-of-production hypothesis - are important to this dissertation in a number of ways.

In chapter 3, we aim to show the Ricardian theory of value evolved out of an attempt to illuminate the inconsistencies and ambiguities within Smithian value theory; that the Ricardian labour cost theory was formulated largely as a refutation of a number of putative propositions within Smithian value theory; and that in the area of value measurement, Smithian theory gave rise, somewhat accidentally, to two traditions of thought - the labour cost and the labour command theories of value, the former developed principally by Ricardo, and the latter by Malthus.<sup>1</sup>

Following on from this, in chapter 7, we also propose to demonstrate that it was Smith's conception of the historical specificity of the labour cost model, in combination with his surmise that this model was legitimately supplanted, in the advancement of society, as the mode of determining value, by the adding-up thesis, that suggested to the anti-Ricardians the foundations of their theories of exploitation. For, where Smith regarded the supersession of the labour cost model by the cost of production model as legitimate, breaking as it did both the coincidence between labour expenditure and appropriation, and labour expenditure and value creation.

Just as his theory of value was influential in the evolution of both classical and dissenting conceptions of value, so too was Smith's treatment of distribution significant, providing as it did, the classical and dissenting writers with ample material for both criticism and development.

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(1) Although reference will be made to Malthus' labour command thesis, we do not intend to examine that thesis in any great depth, since our primary interest is in the labour theory of value determination, not value measurement. See below, chapter 3.

It has been observed in this chapter that Smith's theory of wages was, in fact, not a theory at all, lacking both system and coherence. Rather, Smith approached the question of the determination of the wage rate from five different angles: those of subsistence, the wage-fund, productivity, bargaining, and the residual-claimant notion, angles which cannot coherently co-exist within the framework of one theory.

In chapter 4, we propose to establish that of these five options, classical economic analysis concentrated on only two. It adopted, and developed, the subsistence account of wage determination as the basis of its explanation of the natural wage rate; and the wage-fund theory as the basis of its explanation of the market wage rate.<sup>1</sup>

In addition to Smith's explication of wages lacking a systematic or consistent theoretical framework, it was alleged, in this chapter, that the same criticism applied to his treatment of profit.

Profit, as we have seen, was a species of income distinguishable from the wages of management, representing a return on capital (deriving from ownership of that factor) comprising interest plus a risk premium. How that factorial return originated, and the explanation of the reasons for its payment, led Smith to view profit simultaneously as a "deduction" from the produce of labour, and an "addition" to the value of the product. It has been established that this dichotomy is, in fact, more apparent than real. In talking of profit as deduction, Smith is concerned with the question of ownership - if the labourer owned both capital and labour, he would receive both profit and wages. In talking of profit as an 'addition'

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(1) See below, chapter 4, section 2, pp.254-282.

he is discussing the contribution of capital in productivity terms - both fixed and circulating capital were regarded, by Smith, as capable of enhancing productivity: fixed capital, by assisting labour directly; circulating capital by enabling the labourer to subsist throughout elongated production processes. The two comments are, therefore, compatible.

Smith's final point on profit concerned the means of determining its rate, which was regarded by him, as evidenced earlier, as directly related to availability of channels for capital investment. The fact that in societal advancement, the opportunity for such investment declines, leads Smith to the conclusion that the profit rate will also tend to fall.

Smith's theory of profit is basic to a number of themes developed in later chapters. In chapter 3, we aim to show that the role of capital, and the question of capital productivity - the profit as 'addition' theme - has interesting and potentially subversive implications for the labour theory of value, particularly for the attempts of John Ramsay McCulloch and James Mill to reduce profit to labour quantity.

In chapter 4, we propose to demonstrate, firstly, that the definition of the nature of the profit reward is largely that employed by all the later classical economists, most patently by McCulloch - the most 'Smithian' of those authors; and secondly, that although the Ricardians and Smith both conclude that there is a tendency for the rate of profit to fall as society progresses, that the reasons marshalled in support of that claim are, in actuality, very different.

Finally, in chapter 7, it will become clear that Smith's conception of profit - and later rent - as 'deductions' is central to an understanding of the process by which the anti-Ricardians perceived the labourer to be deprived of the entire fruits of his labour.

The last area of Smithian distribution theory we examined was the author's explanation of the nature and origin of rent. Once again, Smith's treatment was ambiguous, for he viewed rent as both price-determining and price-determined. It was price-determining when regarded as a necessary payment in production; and price-determined, when viewed as a surplus devolving on the landlord after the shares to wages and profit had been paid. We observed, following Buchanan's suggestive lead, that this ambiguity may be explained in terms of the connotation accorded factorial substitutability in two contexts, when discussing rent as price-determining the choice is between different species of raw produce. When discussing rent as price-determined it is between the production, or non-production of raw produce in toto. However, difficulties do remain.

In terms of the genesis of rent theory, Smith's contribution is perhaps limited. Rent theory, as espoused by the classical economists, relied, as we shall notice in chapter 4, upon the notion of differential fertility, with rent as a price-determined surplus. Although Smith did acknowledge the impact of differences in location and fertility upon rental payment, making such payment, in part, a function of these differences, the idea is under-developed, and was probably of only minimal influence. Smith's influence is more obvious in the development, already referred to, of anti-Ricardian analyses of non-labour claims to wealth, representing,

the "deductions" theme underlying Smith's review of the origins of rent, as will be evidenced in chapter 7.

Having outlined the links between Smith and his successors, it is now appropriate to turn to the problems of value theory as espoused by Ricardo, Mill and McCulloch.

Chapter 3: The Classical Economists and the Labour Theory of Value

Adam Smith who so accurately defined the original source of exchangeable value and who was bound in consistency to maintain that all things become more or less valuable in proportion as more or less labour was bestowed on their production, has himself erected another standard of value ... the quantity of labour which it [a good] can command in the market.

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This (mistaken) contention, that Adam Smith had confounded two separate, and contradictory, principles of value regulation in his explanation of the determination of value in exchange, forms, as we shall demonstrate in this chapter, the theoretical starting-point for Ricardo's enunciation of a labour-cost explanation of value determination. Ricardo derives, albeit dialectically, his inspiration from a particular rendition of the Wealth of Nations. Whilst our primary focus in this chapter is with labour theories of value determination, it is important to recognise that Smith's book also provided the theoretical base for Malthus' exposition of a labour command theory of absolute value,<sup>2</sup> and, indeed, for Robert Torrens' elucidation of a capital theory of value regulation in a capitalist economy

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(1) Ricardo, Principles of Political Economy and Taxation, (London, 1821), Sraffa, Piero (ed.); The Works and Correspondence of David Ricardo, (Cambridge, CUP, 1962), vol.I, pp.13-14.

(2) Cf, Malthus, Thomas Robert, Principles of Political Economy Considered with a view to their Practical Application, (London, Murray, 1820); The Measure of Value Stated and Illustrated, (London, Murray, 1823); "Political Economy", Quarterly Review, XXX, (1824), pp.297-334; "On the Measure of the Conditions Necessary to the Supply of Commodities", Paper read at the Royal Society of Literature, May 4, 1825; Definitions of Political Economy, (London, 1827); and "On the Meaning which is most usually and most correctly attached to the term 'Value of a Commodity'", Paper read at the Royal Society of Literature, Nov.7, 1827.

after the individuation of land.<sup>1</sup> Although these theories are of intrinsic interest themselves, since they do not concern our examination of the links between labour, value, distribution and, where apposite, entitlement, we do not propose to consider them in any depth.

As just mentioned, our primary focus in this chapter is the variety of labour cost explanations of value espoused by the classical economists, in this particular instance, Ricardo, McCulloch, and James Mill. Chapter 3 will begin, therefore, with a discussion of the relationship between labour expenditure, entitlement and value imputation,<sup>2</sup> centering on the question of why the classical economists concentrated primarily upon the first and last factors in this relationship, and largely ignored the second.

In section 2, we will proceed to an analysis of David Ricardo's labour theory of value, starting with an appraisal of the embryonic thesis posited in the Essay on Profits, before moving on to consider his treatment of value in the Principles of Political Economy and Taxation. In the final part of this section, we will review the issue of value measurement in Ricardo's scheme.

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- (1) Cf., Torrens, Col. Robert, "Strictures on Mr. Ricardo's Doctrine Respecting Exchangeable Value" [signed "R"], Edinburgh Magazine, Oct. 1818, pp. 335-8; and An Essay on the Production of Wealth, (London, Longmans, 1821).
  - (2) Ricardo, David, Essay on the Influence of a Low Price of Corn on the Profits of Stock, (London, 1815).

In section 3, we propose to examine the works of John Ramsay McCulloch, considering two particular questions. Firstly, the extent to which McCulloch could be denominated a "Ricardian" in his analysis of value; and, secondly, the implications of McCulloch's understanding of profit formation for his conception of labour and for our comprehension of classical economic ideas about property and entitlement.

The final section of this chapter will be devoted to an elucidation of James Mill's interpretation of the labour theory of value. As with McCulloch, our discussion will concentrate upon two areas of especial import: the extent to which Mill may be seen as a mere reiterator of Ricardian orthodoxy; and the problem of the relationship between profit and value, Mill's conception of labour, and our understanding of the links between property, value and labour in the Elements of Political Economy.<sup>1</sup>

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(1) Mill, James, Elements of Political Economy, (London, ed.1, 1821; ed.2 1823; ed.3, 1826, reprinted 1844).

Section 1: Labour, Value and Property.

As the title of this dissertation suggests, one of its primary aims is to analyse the connection between ideas about property, and both labour and value. The principal aim of this section is to make some preliminary remarks about the proprietary notions underlying the labour theory of value and the theory of distribution advanced by the Classical economists.

Throughout the history of the idea of property many writers have advanced theories of entitlement grounded in labour expenditure, to which some have added correlative labour theories of value.<sup>1</sup> Any hypothesis which takes the activity of labouring as forming the only just basis of entitlement obviously makes certain assumptions about the status of activity. Thus, the juridical thesis of Locke or Hodgskin, for example, regards labour as an activity peculiar to the human species, in some ways akin to what Marx was later to denominate "species-activity". Whilst Nature is regarded as passive, man is seen to be active, capable of transforming the raw materials of nature via the process of appropriation. According to this conception, labour alone is productive in a positive sense. Although land and capital may be necessary to the production process, their role in that process is passive and malleable. In the light of this conceptualisation of labour it is unsurprising that both Locke and Hodgskin should sometimes perceive it to be the only creator of value.<sup>2</sup>

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(1) Cf., e.g., Locke, Marx, Hodgskin, Thompson, et al.

(2) See below, chapters 6 and 7, for an examination of Hodgskin's views on labour, value and property.

The labour theory of value utilised in conjunction with the labour theory of property outlined above, appears to be a causal theory of value; in other words, labour is seen to be unique in that it alone creates value. Although this causal theory might form the basis of an explanation of relative value, the two are not automatically developed in tandem.

The labour theory of value employed by the classical economists is, however, differently formulated. It is a theory of exchangeable value, first and foremost, and is not associated inextricably with a labour theory of entitlement, although it is, in our opinion, founded upon certain proprietary assumptions.<sup>1</sup>

According to the labour theory of value in exchange, the actual activity of labouring need not be accorded any special status. It is not, for example, necessary that labour is seen as the unique cause of value, but it is apposite that the determination of relative value is explicable in terms of labour quantity. Value must be computable in labour terms; thus, the input of capital must be reducible to labour quantity.<sup>2</sup> In this way, factors other than the human activity of labouring can be accommodated in an explanation of value determination, and the establishment of the exchange ratio of commodities. Where the labour theory of entitlement is linked with a causal theory of value (on the whole), the labour theory of value of the Classical economists represents an

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(1) Cf., chapter 5, section 3 particularly.

(2) Land was removed from the value equation by making it price-determined, not price-determining. See Chapter 4, section 1.

explanatory theory of value determination.

Clearly, the conceptions of labour required by the theories outlined above are different. The labour theory of entitlement accords special status to human labour, whilst the labour theory of value empties human labour of any special (proprietary) content. Indeed, as we shall see in sections 3 and 4 of this chapter, the concept of labour adopted by two of the Ricardians - James Mill and John Ramsay McCulloch - was a largely dehumanized concept. "Labour" was regarded simply as an umbrella term to cover all species of productive activity, including not only the work of man, but also that of animals, machinery, and, in the case of McCulloch, Nature. Obviously, such a conceptualization of labour has important implications for the issue of distribution, as we shall demonstrate below.<sup>1</sup>

It is our contention in this dissertation that the labour theory of value expounded by the classical economists is underwritten not by ideas about property derived from Locke, but by ideas about property derived from Utilitarian thought.<sup>2</sup> More specifically, it is our claim that it is a concern with the issue of the security of private property, regarded as a basic pre-requisite of growth, that dictates that both the labour theory of value, and the classical theory of distribution are largely empirical, non-normative theories. It is more important to both political economic and Utilitarian thinking that the prevailing pattern of property

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(1) Cf., sections 3 and 4 of this chapter.

(2) Schlatter, for example, claims that the classical economic theories of value and distribution reflect the Lockean labour theory of entitlement. Schlatter, Private Property, pp.160-161,184-185.

distribution be protected and preserved, in order to ensure continued production, than that the legitimacy of the original title to such property be demonstrated. Indeed, the belief amongst the Utilitarians, and the political economists that insecurity of property would generate a disincentive to continued production necessarily led them to defend the status quo, and to argue against redistributive practices designed to foster equality.<sup>1</sup> It is this argument from security which helps to explain the overall reticence of these authors with regard to the issue of foundations of the landlord's and capitalist's respective claims to a share in the produce of industry.

Taking as our scenario the framework of a system of industrial capitalism, where the labouring-capacity of one group combines with the capital furnished by another group to produce a material output, the question arises as to how shares in the final product should be determined?<sup>2</sup>

Adherents of the juridical/labour theory of entitlement must show that the claims of the capitalist, per se, are consistent (or, perhaps, inconsistent) with the general theorem that labour forms the only original and legitimate title to property. Exponents of the labour value thesis, and the classical theory of distribution are under no such obligation. Firstly, they accept the legitimacy of the prevailing property system.<sup>3</sup> Secondly, they assume that security of property includes the right of the property-holder to employ his property as he sees fit. Thirdly, their theory of distribution rests on the claim that land, labour and capital

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(1) See below, chapter 5.

(2) Hodgson, Capitalism, Value, and Exploitation, p.109.

(3) The reasons why will become clearer in chapter 5, section 3.

each generate a distinct form of factorial income - rent, wages, and profit. And finally, the exact proportion of the product falling to each factor-owner is seen to depend upon non-normative issues, that is, upon such empirical concerns as comparative factor mixes and the marginal productivity of land.

To recapitulate briefly, therefore, it is our claim that the labour value thesis advanced by the classical economists fails to accord any special status to human labour; represents an explanatory (as opposed to causal) theory; and is based not upon a Lockean conception of property, but on an argument derived from Utilitarian philosophy - that the sacrosanctity of private property and the prevailing property system is indispensable to the efficient functioning of the economy. In the rest of this chapter, we intend to concentrate on the labour theory of value as developed by David Ricardo, John Ramsay McCulloch, and James Mill respectively. We will reserve our analysis of the classical theory of distribution to chapter 4, and our exposition of the classical economists' conceptions of property to chapter 5.

Section 2: David Ricardo: A Labour Theory of Value?

(i) The Essay on Profits

The main purpose of Ricardo's Principles of Political Economy and Taxation, was to "determine the laws which regulate ... distribution";<sup>1</sup> and to ascertain the "natural", viz, changing course of that distribution through time.<sup>2</sup>

In an earlier work, the "Essay on the Influence of a Low Price of Corn on the Profits of stock" (1815),<sup>3</sup> Ricardo tendentiously set out to argue that in an economy where opportunities for agriculture-related technological improvement are closed off, that profit will tend to fall (perhaps leading ultimately to a stationary state)<sup>4</sup> as population increases and recourse is had to the cultivation of less fertile, more remote lands; but that rent will tend to rise.<sup>5</sup> Applying similar logic to an economy whose opportunities

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- (1) Ricardo, David, Principles of Political Economy and Taxation, 3rd ed., 1821, in Works and Correspondence of David Ricardo, ed., Piero Sraffa, Vol.I, p.5, (Cambridge, CUP, 1962). All subsequent references to the Principles are to this edition, unless otherwise indicated.
- (2) Hence his later construction of a measure of value.
- (3) Sraffa ed., Works, Vol.IV, pp.9-41. This essay is primarily a diatribe against the imposition of a protective tariff on the importation of corn, as specified by the Corn-Laws. See Chapter 4, Section<sup>I</sup> (i).
- (4) That is, the point at which the rate of profit has declined so much - due to the increasing cost of producing food on successively less fertile lands as population inexorably burgeons - that motives for capital investment no longer exist. See Principles, pp.120-122. See also, Berg, Maxine, The Machinery Question and the making of Political Economy, 1815-1848 (Cambridge, CUP, 1980).
- (5) The Model constructed by Ricardo is founded on four basic assumptions: (1) that land is of limited supply; (2) that agricultural improvements are precluded; (3) that the rates of capital and population growth are commensurate; and (4) that, in consequence of (3) the real wages of labour are constant. Essay, p.12. See Chapter 4.

for free trade in corn are similarly curtailed, Ricardo is able to show that the Corn Laws benefit only the landed classes, since they alone prosper from the inevitable rise in the price of producing corn.<sup>1</sup>

In this Essay, Ricardo is concerned to show how the increased cost of producing corn affects distribution - particularly between rent and profit, since wages are assumed to be fixed. Profits are made contingent upon the cost of producing food - "profits then depend on the price, or rather on the value of food",<sup>2</sup> - and rent is conceived as a transfer of the revenue (viz, profits) previously obtained on the land. It is never a new creation of revenue, but always part of a revenue already created".<sup>3</sup>

Ricardo's specific aim in the Essay is to elucidate the nature of the relationship between the rate of profit and the price of corn - on the assumption that it is "the profits of the farmer that regulate the profits of all other trades".<sup>4</sup> He is, therefore, interested in examining the impact of a change in the price of corn on the profits of stock. He is not interested in systematically demonstrating how that price is

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(1) "... I shall greatly regret that considerations for any particular class, are allowed to check the progress of the wealth and population of the country. If the interests of the landlord be of sufficient consequence, to determine us not to avail ourselves of all the benefits which would follow from importing corn at a cheap price, they should also influence us in rejecting all improvements in agriculture, and in the implements of husbandry". Essay, p.41.

(2) Essay, p.26.

(3) Essay, p.18.

(4) Ricardo to Trower, 8 March 1814, Sraffa ed., Works, Vol.VI, p.104 Malthus had been of the opinion that "the profits of stock no more regulate the profits of other trades, than the profits of other trades regulate the profits of the farmer".

determined,<sup>1</sup> nor more generally, with the problem of how the prices of commodities are regulated throughout the economy as a whole. Concentrating only, therefore, on the production of the commodity corn, Ricardo discusses distribution in physical product terms. Corn becomes, as Sraffa noted, the representative unit of both input and output, with profit comprising a simple product-ratio to wages.<sup>2</sup> Distribution can, it appears, be treated independently of valuation.<sup>3</sup> Ricardo focuses on shares in the value of that output. Thus, as he wrote later, "the great questions of Rent, Wages, and Profits must be explained by the proportions in which the whole produce is divided between landlords, capitalists, and labourers",<sup>4</sup> which are, essentially, independent of considerations of value. The benefit of such an approach is that it enables Ricardo to demonstrate in simple, though graphic, terms the class nature of the Corn Laws, for it makes obvious the fact that the rent of the landlords comes directly out of share of the product falling to the capitalist.

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- (1) Except insofar as he notes that the price or value of corn is proportioned to the difficulty or facility of its production.
- (2) See Piero Sraffa, Introduction to the Principles, Works, Vol.I. pp.xxxi-xxxiii. Sraffa concludes that Ricardo utilises this "corn-ratio theory" to illuminate the general theorem that profit is everywhere contingent upon the profits obtained in agriculture. Blaug argues, however, that the imputation of such a rigid, and logically consistent model to Ricardo is a little unreal. Rather such a model is a modern "rational reconstruction" of ideas implicit in Ricardian theory. See Economic Theory, pp.91-2.
- (3) Great controversy surrounds this allegation. Frank H.Knight, in "The Ricardian Theory of Production and Distribution", I and II, in Canadian Journal of Economics and Political Science, 1935, pp.3-25 and pp.171-176; and J.A.Schumpeter in the History of Economic Analysis, (New York, 1954), pp.543n and 568n. claim that Ricardo did not envisage distribution as a problem of pricing. Per contra, Samuel Hollander, The Economics of David Ricardo, (Toronto, Heinemann Books, 1979), argues that Ricardo was interested in the problem as stated, but that essentially, he failed to solve it, pp.250-254.
- (4) Ricardo to McCulloch, 13 June 1820, Sraffa, ed., Works, Vol.VIII,p.194

Although distribution is dealt with in the Essay without recourse to a theory of value, there are passages presaging his treatment of value in the Principles. For instance he declares that "the exchangeable value of all commodities rises as the difficulties of their production increase", with difficulty or facility of production conceived in terms of labour expenditure. Thus:

If then new difficulties occur in the production of corn, from more labour being necessary, whilst no more labour is required to produce gold, silver, cloth, linen, etc., the exchangeable value of corn will necessarily rise, as compared with those things. 1

However, it is only in the Principles that Ricardo systematically articulates a labour theory of value, with inherent problems, on which he bases his theory of distribution.

(ii) The Principles

In the Principles, Ricardo is, as previously mentioned, interested in the question of how distributive shares vary over time. In order to gauge changes in distribution, some means of measuring changes in the value of commodities is necessary, hence Ricardo's construction of a measure of value. Whilst primarily concerned with delineating the requisite preconditions for a measure of value, Ricardo also indicates the manner in which value in exchange is regulated.<sup>2</sup>

(1) And vice versa. Essay, pp.19-20.

(2) McCulloch, on the contrary, is much less interested in the question of establishing a measure of value, and more concerned with the conditions determining value in exchange. John M. Cassells in his article "A Re-Interpretation of Ricardo on Value", Quarterly Journal of Economics, Vol.49, 1935, pp.518-32 seems to deny that Ricardo considers how value in exchange is determined anywhere in chapter one of the Principles (p.519).

As indicated in the previous chapter, the thesis presented by Ricardo in this work developed initially out of a critique of Adam Smith's purported views on value. Ricardo is specifically concerned to refute two tenets of Smith's theory. Firstly, he attacks the hypothesis that relative value is determined by the remuneration received by labour, arguing incorrectly that Smith conceives the "quantity of labour bestowed on the production of any object", and "the quantity which it can command in the market", as "two equivalent expressions";<sup>1</sup> and secondly, Ricardo is concerned to discredit the argument that "as soon as stock has accumulated in the hands of particular persons",<sup>2</sup> and "as soon as the land of any country has become private property",<sup>3</sup> the relative value of all commodities is determined by adding together the costs of production, usually wages, profits and rent - with the correlative assumption that changes in the rate of remuneration of any of these factors will ipso facto lead to an alteration in the relative value of the commodities in question.

Ricardo commences his analysis of value by quoting Adam Smith's distinction between value in use and value in exchange,<sup>4</sup> noting that whilst utility, defined as the capacity of an object to "contribute to our gratification"<sup>5</sup> - is essential to the existence of value, it is not the

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- (1) Principles, p.14. As we shall see shortly this view is mistaken. Smith did not use the labour command hypothesis as an explanation of relative value.
- (2) Adam Smith, WN.I.vi.5.
- (3) Adam Smith, WN.I.vi.8.
- (4) Ricardo substitutes gold for diamonds, in the paradox, but the rationale is the same, though the definition of utility is different.
- (5) Ricardo deviates here from the Smithian conception of utility as supportive of life, to a broader notion of utility as the capacity to gratify. Principles, p.11.

measure of value in exchange. Rather, value in exchange derives from one of two sources; either from scarcity - thus, those goods which are in limited supply and which cannot, therefore, be freely reproduced derive their value from "the varying wealth and inclinations of those who are desirous to possess them",<sup>1</sup> - or, from the "quantity of labour required to obtain them",<sup>2</sup> for those articles capable of being freely reproduced under conditions of perfect competition.

Following Smith, Ricardo notes that "in the early stages of society, the exchangeable value of these commodities ... depends almost exclusively on the comparative quantity of labour expended on each",<sup>3</sup> and cites a number of other passages from the Wealth supportive of this view-point, indicating, almost in passing, that should the quantity of labour "realized" in a commodity increase, its value would be augmented, and should that quantity decrease, its value would be diminished.<sup>4</sup>

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(1) Ibid., p.12.

(2) Ibid., p.12.

(3) Ibid., p.12. Editions one and two had "depends solely". The above passage is of particular note since it contains one of a number of amendments made by Ricardo to his treatment of value between editions. Controversy has always surrounded the status of these amendments. Did they herald a gradual retreat from a labour theory of value as indicated by Cassells, for example, (art.cit., pp.524ff)? or, did they represent clarificatory modifications designed to strengthen Ricardo's claim that the evolution of capital, and private property in land did not ipso facto alter the way in which value is regulated, as suggested by Pierro Sraffa, (Intro. Principles, Works, Vol.I, pp.xxxvii-xlix)? In the light of the epistolary evidence, it appears that Sraffa's view is the most plausible.

(4) Ibid p.13.

Almost immediately, however, Ricardo abstracts from the question of how value is determined, to criticise Smith's choice of an actual measure of value, condemning it on the grounds of its variability. Ricardo's condemnation of Smith is based, however, upon two confusions: firstly, Ricardo fails to comprehend the sense in which Smith conceived of labour as invariable in its own value; and secondly, Ricardo imputes to Smith an explanation of relative value which is, in fact, an explanation of how intertemporal and interlocal comparisons of value may be estimated.

With regard to the first point, Ricardo argues that Smith's choice of the labour a commodity will command as the standard of value is invalid, since such a standard is liable to as many fluctuations in value as the commodities compared with it. In other words the value of labour, reflected in the wage-rate, is inconstant.

"Is not, Ricardo asks, 'the value of labour equally variable; being not only affected, as all other things are, by the proportion between the supply and demand, which uniformly varies with every change in the condition of the community, but also by the varying price of food and other necessaries, on which the wages of labour are expended?'"

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One obvious problem here is that Ricardo fails to recognize that Smith viewed labour as invariable in its own value in disutility terms. Smith, as we observed previously, felt that the same amount of labour always - both from time to time, and from place to place - inflicted the same degree of "toil and trouble" upon its executor, and that if labour's remuneration altered, this reflected a change in the value of the goods comprising the

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(1) Ibid., p.15.

wage-basket, and not a change in the value of labour itself.<sup>1</sup> Ricardo appears to want to argue that Smith viewed labour as invariable almost in physical product terms; that is, that the invariability of labour might be established by virtue of the fact that the wage-basket is of approximately the same constitution throughout time, and thus, by the fact that the same goods will always command the same quantity of labour. Such a position involves Ricardo in the attribution to Smith of a fairly well-defined concept of subsistence wages, which is, as he noted in chapter 2, only partially true.<sup>2</sup>

With regard to the second point, Ricardo proclaims that Smith argues as if "the quantity of labour bestowed on the production of any object" and "the quantity it can command in the market" are "two equivalent expressions".<sup>3</sup> Now, as we demonstrated in the last chapter, Smith employs the labour quantity thesis solely as an explanation of value determination in primitive society, where capital is non-existent, and land a free good, and develops the labour command theorem as an hypothesis designed to measure intertemporal and interlocal variations in value.<sup>4</sup> Whilst the aims of these two arguments are logically distinct, Ricardo proceeds as if they are the same, attempting to demonstrate the incompatibility of the conclusions arrived at by applying the labour quantity and labour command explanations to the same case. Directing his reader to consider the following scenario, he declares that:

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(1) See above, chapter 2, section 2(iii), pp.92-100

(2) See above, chapter 2, section 3(ii), pp.125-134

(3) Principles, p.14.

(4) See above, chapter 2, sections 2(iii) and 2(iv), pp. 92-100, 100-112 respectively.

In the same country double the quantity of labour may be required to produce a given quantity of food and necessaries at one time that may be necessary at another and distant time; yet the labourer's reward may possibly be very little diminished. Food and necessaries in this case will have risen 100 per cent. if estimated by the quantity of labour necessary to their production, while they will scarcely have increased in value if measured by the quantity of labour for which they will exchange.

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Since the quantity of goods received by the labourer is dictated by a minimum subsistence requirement, it is obvious that the wage-rate has remained fairly constant, whilst the actual cost of producing the goods has varied.<sup>2</sup> This leads Ricardo to argue that the labour command hypothesis is invalid as an explanation of value regulation. The problem is further compounded by the fact that should the wage-rate fluctuate (from alterations in supply and demand, for instance), the value of the commodities in question will also be seen to vary even though the cost of producing them has remained constant.<sup>3</sup>

As far as Ricardo is concerned, it is "the comparative quantity of commodities which labour will produce, that determines their present or past relative value",<sup>4</sup> and not the comparative quantity of goods which the labourer receives in exchange for his labour. According to Ricardo's theoretical standpoint, value is made a function of labour productivity; any fluctuation in the wage-rate unaccompanied by a change in labour productivity should not, ipso facto, affect the value or price of any commodity.<sup>5</sup>

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- (1) Principles, p.15 (original emphasis)
  - (2) See chapter 4, section 2(i), pp.254-282 for treatment of the Ricardian view of subsistence wages.
  - (3) Cf., Principles, pp.15ff.
  - (4) Principles, p.17 (My emphasis)
  - (5) As we shall demonstrate below, Ricardo is actually compelled to modify this claim somewhat.

Aside from the fact that Ricardo is mistaken in regarding the purpose of the labour command hypothesis as an explanation of value determination, it is also becoming clear that his own stance on the role of the labour cost theory is unclear. As we saw in section 2(i) of the previous chapter, any theory of value-determination (labour-based, or otherwise) is concerned with how the exchange rate is regulated at a particular point in time.<sup>1</sup> It is not concerned with the issue of how the value of goods may be estimated over time, or from place to place. The problem with Ricardo is that he begins from the standpoint of considering how the exchange rate is regulated at any point in time, and shifts almost imperceptibly into the realms of value measurement over time. Thus, for example, in his treatment of the qualitative differences existing between various types of employment, which we will consider next, it is evident that he is not essentially interested in the setting of the exchange rate at a particular point in time, but with "comparing ... the value of the same commodity at different points of time",<sup>2</sup> or, in other words, with the problem of "variations in the relative value of commodities"<sup>3</sup> over time.

Addressing the issue of how a representative unit of labour may be established,<sup>4</sup> Ricardo notes that it is both difficult to compare different qualities of labour, and to compare temporal units of labour across occupations, since one hour's labour in one task may vary greatly from one hour's labour in another - in terms of comparative levels of skill and

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(1) Cf., pp.84-86.

(2) Principles, p.21.

(3) Ibid., p.21.

(4) Since Ricardo wants to establish that labour can both determine and measure value, he must show that qualitative differences in employment can be reduced to a simple man-hours unit of labour.

intensity of labour performance. Following Smith, Ricardo argues that the differential characteristics of different occupations may be adjusted through the mechanism of the market, with sufficient accuracy for practical ends. This scale, once formed, is, he claims, "liable to little variation".<sup>1</sup> Indeed Ricardo notes that whatever the original inequalities between types of labour,<sup>2</sup> "it continues nearly the same from one generation to another". The labour of a jeweller is always more valuable than that of a common labourer.

Qualitative differences in labour may, therefore, be reduced to quantitative differences, allowing Ricardo to assume that labour is roughly homogeneous. Skilled labour can, thus, be reduced to a quantity of unskilled labour, rendered in man hours, so that any changes in the level of skill requisite to a particular occupation may be reduced to, and be expressed in, units of unskilled labour. Thus:

One description of labour at one time is compared with the same description of labour at another; if a tenth, a fifth, or a fourth, has been added or taken away, an effect proportioned to the cause will be produced on the relative value of the commodity. 3

And so, if more or less labour (expressed in the basic unit) is required in production, this will be reflected in the exchangeable value of the commodity

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(1) Principles, p.20.

(2) Ibid., p.22. Such inequalities derive from the different levels of skill and ingenuity appropriate to particular occupations, as well as to variations in training times.

(3) Ibid., p.21. When Ricardo claims that: "In comparing ... the value of the same commodity at different periods of time, the consideration of the comparative skill and intensity of labour, required for that production, needs scarcely to be attended to, as it operates equally at both periods", I take Ricardo to mean not that production requires the same skills at all times, but that the differentials between occupations remain constant - albeit an unrealistic assumption.

in question; the fact that different species of labour are rewarded at slightly different rates does not, of itself, alter relative value.

We noted at the outset of this section that Ricardo's treatment of value grew out of an attempt to address two problems inherent in Smithian theory; the first, the purported confusion between the labour command and labour quantity theorems; and the second, the invalidity of Smith's claim that once capital has been accumulated and land appropriated, value is regulated by adding together wages, profit and rent, with the possibility that a change in the rate of remuneration of any of the three will amend the relative value of commodities, independent of changes in labour productivity. Having examined the former notion, it is to the latter that we now turn.

Smith, as we know, confined the application of a labour quantity thesis to the "early and rude state of society" preceding the accumulation of stock, and appropriation of land, preferring instead a cost of production explanation of relative price for commercial society. One of Ricardo's aims in the Principles is to refute the historical specificity of Smith's labour thesis. He wants to show that Smith was mistaken in arguing that the emergence of rent and profit immediately and necessarily altered the way in which relative value was determined. Rent, as we shall see in the next chapter, was viewed as a price-determined surplus, and thus of no importance in value determination; profit and the issue of capital use in production, was however, a different matter. As Sraffa has demonstrated, Ricardo did not mean that the use<sup>d</sup> capital in production could not affect relative value - for this he patently recognised, as evidenced by his acknowledgement of the "wage/durability of capital" theorem<sup>1</sup> - but that Ricardo believed that Adam Smith was mistaken in his argument that:

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(1) The phrase derives from O'Brien; Cf., O'Brien, D.P. "J.R. McCulloch and the Theory of Value", SJPE, 1966. This phenomenon is also labelled the "Ricardo Effect", by F.A.V. Hayek.

... as after stock was accumulated, a part went to profits, that accumulation, necessarily, without any regard to the different degrees of durability of capital, or any other circumstance whatever, raised the prices or exchangeable value of commodities, and consequently that their value was no longer regulated by the quantity of labour necessary to their production. 1

Criticising Smith for his failure to consider accurately the effects of accumulation on relative value, Ricardo goes on to consider precisely that.<sup>2</sup>

Even in the "early and rude state of society", some capital, he argues, possibly made and accumulated by the labourer himself, would be necessary to assist him in the acquisition of food. Without a weapon, the paradigm deer and beaver could not be destroyed; therefore, the value of these animals in this early age must be determined, not solely by the time and labour required to destroy them, but also by that necessary to equip the hunter with the necessary capital, his weapon. If more labour was expended on the production of the capital necessary to kill the beaver than on that necessary to kill the deer, the value of the former would be greater than that of the latter. If the quantity of labour requisite to the production of capital was the same in both cases, but if the weapons were of disproportionate durability, then the value of both animals would be different since only a small portion of the value of the durable implement would be realized in the value of the object that it assisted in procuring, compared with a much greater portion in the case of the less durable implement.<sup>3</sup>

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- (1) Ricardo to James Mill, in Sraffa, ed., Works, Vol.VII, p.377. See Pierre Sraffa, Introduction, Principles, Works, Vol.I, pp.xxxvi-xxxvii. See also Principles, p.22n.2.
- (2) Principles, p.22n.2. This criticism of Smith's failure to analyse the effects of the accumulation of capital and appropriation of land on relative value is suppressed from edition 3. Chapter II, 'On Rent', contains Ricardo's refutation that payments to rent form part of the exchangeable value of commodities.
- (3) Principles, p.23. It is, therefore, an amortisation charge.

On the assumption that capital is simply accumulated labour Ricardo argues that the relative value of a commodity, in commercial society as well as in rude society,<sup>1</sup> is determined by the total quantity of labour expended in its production, "not on their immediate production only, but on all those implements or machines required to give effect to the particular labour to which they were applied".<sup>2</sup> Any abridgements in this total quantity of labour will lead always to a reduction in its value.<sup>3</sup>

Ownership of this capital is unimportant for value determination.<sup>4</sup> Whilst the finished product may, at different times, depending on the magnitude of capital compared with the demand for labour, be shared out in different proportions between wages and profit, the relative value of the commodities in question is unaffected, since the production of each, Ricardo alleges, is subject to the same rates of wages and profit.<sup>5</sup>

This claim relies on the special assumptions that the factor mixes for all occupations are identical, and that the capital utilised in all fields is of equivalent durability. Now, as we have seen, the status of capital within the labour theory of value is potentially one of its most debilitating aspects. Once it is assumed that labour and capital combine in production,

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- (1) Principles, pp.24-5.
  - (2) Ibid., p.24. As we shall see shortly, the labour quantity theory fails to explain the origin of profit. If capital did not earn a profit, then Ricardo's explanation would be tenable. Value would be proportioned to the quantity of immediate labour required for production plus amortisation costs. See O'Brien, D.P. The Classical Economists, p.85.
  - (3) Principles, p.26.
  - (4) Smith had argued that once capital had accumulated in "the hands of particular persons" the capitalist could demand a share of the produce of labour, and that this very process increased the value of the commodity.
  - (5) Ricardo qualifies this view shortly. See pp.169-173.

relative labour input can only explain relative value if either (i) capital can be reduced to labour, so that the return on capital can be seen as relating to the quantity of capital expended in production,<sup>1</sup> representing, as it were, the "wages" of accumulated labour; or if (ii) the ratio of capital to labour is assumed to be uniform throughout industry.<sup>2</sup>

Whilst Ricardo makes such assumptions, he can quite justifiably claim that only changes in labour productivity can affect value; and that, since wages and profit are, according to his philosophy, locked together in an inverse relationship, any change in the wage-rate will affect only the share of profit, and not the relative value of commodities.<sup>3</sup> Building upon these assumptions he can feasibly suggest that with the aid of another commodity, invariable in its own value,<sup>4</sup> (assuming that such a good could be found); it would be possible to locate the source of changes in the relative value of two or more goods, by comparison with this invariable standard.<sup>5</sup> So, he notes, "we should be able to ascertain, by comparing the value of fish and game with this commodity, how much the variation was to be attributed to a cause which affected the value of fish", and how much to

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(1) See O'Brien, D.P., The Classical Economists, (Oxford, Clarendon Press, 1975), p.85. The underlying assumption of this argument is that capital earns no profit.

(2) The short comings of the labour theory of value have been well documented. See e.g. O'Brien, D.P., The Classical Economist, pp.78-100, esp.pp.85-87 & 93; Meek, Ronald L., Studies in the Labour Theory of Value, ed.2, pp.123-4 and Burkitt, Brian, Radical Political Economy. (Sussex, Wheatsheaf Books, 1984), pp.32-3, 55-6; Blaug, Mark, Ricardian Economics: A Historical Study, (New Haven and London, Yale UP, 1964), pp.48-9.

(3) Cf., Principles, pp.26-27.

(4) This measure would have to be the product of a constant amount of labour and presumably have the same factor mix as the other goods in question.

(5) Principles, p.28. See Blaug, Economic Theory, p.111.

that affecting the value of game.<sup>1</sup> In this way it would be possible to monitor all kinds of variations in relative value emanating from changes in productive conditions.

However, once it is recognised that capital ratios vary from industry to industry, and that different species of capital may be of differing degrees of durability, then labour productivity alone is insufficient to account for value determination.

Where Adam Smith had recognised that any alteration in the wage-rate would, of necessity, amend the value of all those commodities of which wages formed a component part of price, Ricardo had denied that a change in the wage-rate could affect value. However, Ricardo is gradually compelled to modify his stance. The dilemma for Ricardo is how to accommodate the recognition that the labour-embodied principle of value regulation is "considerably modified by the employment of machinery and other fixed and durable capital",<sup>2</sup> by the "unequal durability of capital, and by the unequal rapidity with which it is returned to its employer",<sup>3</sup> with his initial claim. In other words, capital-labour ratios vary from industry to industry;<sup>4</sup> fixed capital may be of varying degrees of durability;<sup>5</sup> the rate of capital turnover may vary from industry to industry;<sup>5</sup> and, finally, the production period - that is the length of time prior to a commodity being brought to market - may also vary from industry to industry,<sup>6</sup>

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(1) Ibid, p.30.

(2) Ibid., p.38.

(3) Ibid., p.32.

(4) Ibid., pp.31-32.

(5) Ibid., p.38ff.

(6) Ibid., p.31.

qualifications which, Ricardo recognizes, modify the labour theory of value by introducing the problem of time and profit generation.<sup>1</sup>

The question of the effect on value of the different proportions, or durabilities of capital can, Sraffa has shown, be viewed from two perspectives. Firstly, that of "occasioning a difference in the relative values of two commodities" produced by equal quantities of labour, and secondly, that of the effect which "a rise of wages has in producing a change in their relative value".<sup>2</sup>

Although Ricardo tends to concentrate on this second issue in the Principles, interested as he is in the question of variations in value, he does pay heed to the first also, as we can see below. With the same quantity of labour expended on the production of two commodities, it is still possible for their relative values to be different, on account of disparities in the length of the production process, and the duration of capital investment. The longer capital is tied up in production, the higher the price of the commodity in question, because the greater the amount of profit earned.

Thus, if two men employ one hundred men for a year in the construction of two machines, whilst the farmer employs a hundred men in the production of corn, the value of the end products of all three will be identical. However, if the owners of the machines then employ them in production the following year with the aid of one hundred men,<sup>3</sup> whilst the farmer continues to employ one hundred men only, the value of the produce of the farmer will be worth

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- (1) Ricardo to McCulloch, 13 June, 1820, Works, Vol. VIII, p.193. Ricardo sees the principal difference between fixed and circulating capital as one of durability.
- (2) Sraffa, Introd., Principles, Works, Vol.I, p.xlvii (original emphasis) Cf., Blaug, op.cit., pp.96-7
- (3) Principles, pp.33-34. Ricardo assumes that one produces cotton, the other cloth.

more than twice that of the corn, for "the profit on the clothier's and cotton manufacturer's capital for the first year has been added to their capitals, while that of the farmer has been expended and enjoyed".<sup>1</sup>

One problem with the labour theory of value, as enunciated by Ricardo, is that it does not adequately explain how profit originates, nor how profit affects value. This latter point is of particular note, as we shall see shortly, for both McCulloch and James Mill attempt to resolve the problem by claiming that profit is reducible to labour productiveness, whereas Ricardo argues that it is somehow a compensation for waiting.<sup>2</sup>

With regard to Sraffa's second perspective on the relationship between capital and value, namely, the impact of a wage increase on a change in relative value, Ricardo realises that the exchange ratio of goods produced under similar conditions, that is, with similar factor mixes, would not alter with a variation in the wage rate unless there had been an accompanying change in the quantity of labour requisite to the production of one, or the other; but that their value relative to goods produced under other productive conditions would in fact vary, with a change in the wage rate.<sup>3</sup> So, goods produced with a preponderance of fixed to circulating capital, that is,

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(1) Principles, p.34.

(2) Cf., sections 3 and 4 below for comment upon Ricardo's views on profit and time, pp.186-190 & 198-204 Ricardo observes in a letter to McCulloch (13 June 1820, Sraffa ed., Works, Vol.VIII p.103), that:

"When the times are unequal, the relative quantity of labour bestowed on them (i.e. goods) is still the main ingredient which regulates their relative value, but it is not the only ingredient, for besides compensating for the labour, the price of commodity, must also compensate for the length of time before it can be brought to market".

(3) "This difference in the degree of durability of fixed capital, and this variety in the proportions in which the two sorts of capital may be combined, introduce another cause ... for the variations in their relative value - this cause is the rise or fall in the value of labour". Ibid., p.30.

capital-intensive products, would fall in value with an increase in wages, whereas those produced by a preponderance of labour, that is, labour-intensive goods, would rise in value.

"It appears", therefore, "that in proportion to the durability of capital employed in any kind of production, the relative prices of those commodities on which such durable capital is employed will vary inversely as wages; they will fall as wages rise, and rise as wages fall",

whereas "those which are produced chiefly by labour with less fixed capital, or with fixed capital of a less durable character than the medium in which price is estimated, will rise as wages rise, and fall as wages fall. 1

Ricardo is forced to concede, therefore, that fluctuations in relative value are not all attributable to changes in the productiveness of labour. However, whilst conceding that an alteration in the rate of wages (or profit) may amend the relative value of commodities, he still concludes that such fluctuations are of limited magnitude. In fact "the greatest effects which could be produced on the relative prices of these goods from a rise of wages, could not exceed 6 or 7 per cent", for profits could not admit of a greater or more permanent depression,<sup>2</sup> and as such he proposes only to consider alterations in relative value generated by changes in the quantity of labour requisite for production.

Thus, having acknowledged the vulnerability of the labour cost theory of value determination, Ricardo still proposes to employ the labour cost hypothesis as his guide to estimating changes in value. As we shall see in the next sub-section, this concern with estimating changes in value leads

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(1) Ibid., p.43.

(2) Principles, p.36. Hence Stigler's famous remark about Ricardo's "93% labour theory of value". See George Stigler, "Ricardo and the 93 per cent Labor Theory of Value", American Economic Review, Vol.XLVIII, June, 1958, pp.357-362.

him to formulate an account of value measurement also founded upon labour cost which is closely linked with the primary focus of his theory of distribution, namely the question of the trend of relative shares in societal progress.

(iii) The Problem of Absolute Value

In his inquiry into value, hitherto, Ricardo has been principally preoccupied with the problem of changes, or "variations" in relative value. The purpose of this inquiry, relating as it does ultimately to his construction of a measure of value, derives from Ricardo's concern with the laws regulating the distribution of the national income amongst the three social classes, the labourers, capitalists and landlords; and the manner in which that distribution changes throughout time. Given his preoccupation with a falling profit rate, diminishing marginal returns on land, and the seemingly inexorable growth of population, Ricardo requires some means of measuring the effects of changes in relative value on the division of the social product.<sup>1</sup> Since, for example, a fall in the wage rate had the capacity not only to alter the value of labour-intensive goods to a greater degree than the value of capital-intensive goods, but also to affect the share of the total product falling to both labour and capital, Ricardo needs to find a method of quantifying such changes in distribution.

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(1) Underlying this, always, is a concern primarily with agricultural progress. Cf., Essay. His "pessimistic" conclusion probably derives more from a concern with the specific issue of the impact of the Corn Laws, than from any overriding belief that the stationary state was inevitable under all conditions. Cf., Blauq, op.cit., p.108, pp.48-49; and chapter 4 below.

In the final two sections of the Principles, and in the unfinished papers, "Absolute Value and Exchangeable Value",<sup>1</sup> Ricardo sets out to delineate the prerequisites for a measure of value against which changes in relative value could be estimated.

Clearly a measure of value ought to be free from all the fluctuations to which other goods are exposed, and yet no commodity exists which is not affected by both variations in the quantity of labour necessary for its production, and by changes in the rate of wages.<sup>2</sup> Even assuming that the latter contingency may be ignored, still according to the labour cost principle, no existing commodity can be a perfect measure of value, for the simple reason that periods of production vary between commodities. Taking gold as his candidate measure, he notes that, "it would be a perfect measure of value for all things produced under the same circumstances precisely as itself, but for no others".<sup>3</sup> However, although gold cannot be a perfect measure of value, it can be a proximate measure,<sup>4</sup> since its conditions of production are seen to be roughly representative of those under which the average commodity is produced; in other words, gold combines both labour and capital in its production, and in "such proportions ... as approach nearest to the average quantity employed in the production of

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- (1) "Absolute Value and Exchange Value", 1823, Sraffa, ed., Works, Vol.IV pp.361-397 and 398-412.
  - (2) "It would be a great desideratum in political economy to have a measure of absolute value in order to enable us to know(,) when commodities altered in exchangeable value(,) in which the alteration had taken place", Ibid., p.300n.
  - (3) Principles, p.45.
  - (4) Ricardo spends some time at the end of Chapter One comparing the effects on the price of goods arising from (i) changes in the labour necessary to production; and (ii) from changes in the value of the goods themselves and changes in the value of medium in which they are estimated. See pp.47-51.

most commodities",<sup>1</sup> with its period of production representing a "mean between the extremes of commodities produced on one side by labour and advances for much more than a year, and on the other by labour employed for a day without advances",<sup>2</sup> the assumption being that gold (like corn) takes a year to produce.<sup>3</sup> His standard is produced, therefore, under the median conditions of production; equidistant from those conditions where little fixed capital is used, and those where it preponderates.

Although Ricardo is often regarded as an exponent of a labour theory of exchange value, consideration of the content and purpose of his hypothesis seems to suggest that such an interpretation is not, in fact, valid, given that he is less concerned with how prices are actually regulated, than with evaluating the effect of amendments in relative value on the partition of the aggregate product of industry. His focus is the problem of how shares in the total product of industry may alter, whilst the actual magnitude (or size) of the product remains the same.<sup>4</sup> He chooses to emphasize labour quantity as the most reliable factor in value-determination, though recognizing that other factors - namely, the durability of capital, and the length of the production process - also affect the value of a commodity, and in fact sees profit as a component of relative value. Indeed, in a footnote directed at Malthus, Ricardo notes that cost and value are synonymous

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(1) Principles, p.45.

(2) "Absolute Value and Exchangeable Value", p.405.

(3) The agriculture bias of Ricardo's model is apparent in his choice of a standard whose production period is identical with that of agriculture - viz, a year.

(4) Cf., Sraffa, Introd. Works, Vol. I, pp.lxxviii-xlix

terms in his thesis, if by cost is meant "cost of production including profits", but presumably not if all that is meant is labour cost - that is, a quantity of labour valued in a monetary unit.<sup>1</sup>

How Ricardo actually treats the problem of distribution and the status of value within that thesis will be deferred until the next chapter. However, it is apparent that his consideration of the role of labour in the determination of value (in exchange) was designed with the elucidation of a particular question in mind - the problem of the trend of relative shares throughout societal progress. The manner in which his followers took up the gauntlet of a labour theory of value, and their incredibly tenacious attempts to reduce both profit and capital to some common unit of labour, cannot be viewed in the same light, for they genuinely attempted, in the beginning at least, to postulate an explanation of value in exchange based on labour alone, and it is to these explanations that we now turn.

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(1) Principles, p.47n. The reference is sparked off by Malthus' claim that Ricardo confounds cost and value in his theory. See also Chapter XXX, where Ricardo argues that it is cost of production which ultimately (i.e. in the long term) regulates price and not supply and demand. Principles, pp.382-385. Ricardo also makes a distinction between the long run natural price of a commodity - rendered by the comparative quantity of labour necessary to production - and the market or actual (short-term supply and demand) price with the latter gravitating about the former. Cf. Chapter IV, pp.88-92.

Section 3: John Ramsay McCulloch: Disciple or Dissenter?

In the last section we traced the development of Ricardo's theory of value out of a critique of Smithian value theory. In the next two sections we propose to examine the way in which Ricardo's labour theory of value was developed by two of his so-called disciples, namely John Ramsay McCulloch, and James Mill, focusing in particular on the way in which both authors dealt with the problem of capital and profit in value determination. The aim of this particular section will be to examine the genesis and development of McCulloch's theory of value. Whilst his initial exposition reflects a strong Ricardian influence, reflecting in part

his role as the popularizer of Ricardian orthodoxy,<sup>1</sup> it will be argued that in recognition of the difficulty of upholding a labour theory whilst acknowledging the implications of capital and profit for value determination, McCulloch gradually modifies his position until he is ultimately left with a (marginal) cost of production theory more suited to the broadly Smithian dimension of his political economy, namely a concern with growth.<sup>2</sup>

- (1) D.P.O'Brien notes that McCulloch was a "pioneer of popular exposition". See, "J.R.McCulloch and the Theory of Value", *SJPE* 1966, pp.332-351, p.333. McCulloch himself also acknowledges that "in order to give any chance of making the subject popular I must pass slightly over some of the more difficult parts". See McCulloch to Ricardo, April 17, 1822, *Works*, Vol.IX, p.185. Cf Ricardo to McCulloch, March 19, 1822, *Works*, Vol.IX. pp.177-9., esp.p.178.
- (2) O'Brien argues that McCulloch's mistakenly attributed "Ricardian" label emanates from a failure, on the part of modern commentators, to recognise that McCulloch was simultaneously expounding two theories of value: a simple (Ricardian) labour cost thesis designed for "popular" consumption, and a more complex, "scientific" cost of production hypothesis. Though O'Brien draws attention to McCulloch's confusion over capital and profit, he seems to minimise the degree to which amendments to the labour cost hypothesis led to its subsequent replacement by a cost of production hypothesis. He also ignores the fact that McCulloch's confusion over profit reflects a dichotomy in his political economy generally, viz. the conflict between those Ricardian elements uncomfortably tacked onto an essentially Smithian framework.

In all of his early articles, and some of the later ones, McCulloch follows Ricardo's lead, and substantially reproduces the Ricardian labour theory of value in exchange - complete with problems.<sup>1</sup> Broadly speaking Ricardo's thesis was that the relative value of commodities, at all stages of societal development,<sup>2</sup> is determined by the comparative amounts of labour (both direct and indirect) requisite to production. Rent is removed from the value equation in the usual post-Ricardian fashion, by making it a price-determined surplus,<sup>3</sup> whilst profit, and capital remain as problematic for McCulloch as they were for Ricardo. Since we intend to consider the inadequacies of McCulloch's explanation of value theory relative to his account of the emergence of profit below, nothing more will be said on that point here. What is worth noting, however, is that McCulloch followed Ricardian orthodoxy quite strictly in terms of the wage-durability of capital theorem, again allowing a variation in the wage-rate to amend the relative value of goods even where the quantity of labour requisite to production has remained constant.<sup>4</sup> As McCulloch observes:

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- (1) See, for example, his review of Ricardo's Principles in the Scotsman, May 3, 1817, pp.119-20; "Mr. Ricardo and the British Review", Scotsman, Nov.15 1817, p.343; "Ricardo's Political Economy", Edinburgh Review, Vol. XXX 1818, pp.59-87; "Political Economy", Supplement to the Encyclopaedia Britannica, 1824 (6th ed. henceforth, EB6), pp.253-258
- (2) Smith had claimed that the labour explanation is tenable only in those conditions where labour comprises the sole factor of production. Once land becomes private property and capital is accumulated, the labour theory is invalidated. It is replaced by a cost-of-production (or "adding up") hypothesis. See Chapter 2, pp.100-112.
- (3) Cf., chapter 4, section 1(ii), pp below, and Myrdal Gunnar, The Political Element in the Development of Economic Thought, 2nd ed., (London, Routledge and Kegan Paul, 1965), p.62.
- (4) Note that McCulloch ignores the wage/durability of capital on one occasion, namely in the first of the Scotsman articles cited above, viz., he asserts that fluctuations in the wage rate can have no impact on relative value, since all wages are equally affected.

In as much as any commodity taken for a standard by which to estimate the relative values of other commodities must itself be produced by capital returnable in a certain period, that when wages rise all commodities produced by LESS durable capitals than those which produce the commodity taken for a standard, will rise in exchangeable value, and all those produced by MORE durable capitals will fall, and conversely when wages are reduced.

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but that such variations are "confined within very narrow limits",<sup>2</sup> initially the 6 or 7 per cent identified by Ricardo, but later simply "comparatively narrow limits".<sup>3</sup>

McCulloch's only point of innovation on this issue appears in the later editions of "Political Economy", for the Encyclopaedia,<sup>4</sup> where he again, valiantly endeavouring to minimise the significance of this qualification for the labour value theory, suggests that variations in the wage rate only significantly affect the value of those goods produced under extreme conditions - that is, where their production is preponderantly executed by either manual labour, or fixed capital. Where the majority of goods are concerned they are produced by a comparable amount of fixed and circulating capital, and thus any increase in the (proportional) wage rate leads, of necessity, to a fall in the profit rate (or to a proportional increase in the productiveness of industry), and thus, whilst the relative value of

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- (1) "Political Economy", EB6, p.266. McCulloch has here adapted the explanatory schema developed by Mill to explain this phenomenon. Cf. Mill, James, Elements of Political Economy, ed., 1, 1821, p.77 (original emphasis).
- (2) "Political Economy", EB6, p.267, Cf., also "Political Economy" 7th ed., Encyclopaedia Britannica, 1842, (henceforth EB7) p.251.
- (3) The 6-7 per cent., variant was abandoned in the 8th ed. of "Political Economy", for the Encyclopaedia, in 1859. (Henceforth EB8), p.251. Cf. also, Ricardo's Principles, Works, Vol.1, p.36.
- (4) EB7, p.297, EB8, pp.250-251.

individual commodities may vary, the total value of the entire mass of goods remains constant.<sup>1</sup> From this McCulloch concludes that: "though it may not be strictly true of a particular commodity, that its exchangeable value is directly as its cost or real value", that is, the quantity of labour needed to produce it and bring it to market, "it is most true to affirm this of the mass of commodities taken together".<sup>2</sup>

The aspect of value theory in which McCulloch was interested almost exclusively focused on "the circumstances which determine the exchangeable value of commodities at any given period."<sup>3</sup> He was, therefore, uninterested in the problem of delineating an invariable measure of value, the search for which he regarded, throughout his life, as "entitled to no more respect ... than the search after the philosopher's stone".<sup>4</sup>

Value, for McCulloch, was a twin-edged concept, relating both to the power, or capacity, of a commodity to exchange for, or purchase, a certain quantity of labour, or of other commodities obtainable only through the expenditure of labour;<sup>5</sup> and to the quantity of labour expended in its production or appropriation at any point in time.<sup>6</sup> The former comprises "exchangeable" value and the latter "real value".

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- (1) "Although, therefore, a rise of wages has a necessary tendency to raise the exchangeable value of one class of commodities, and consequently to lower that of another, the fall of profits, which must inevitably follow every rise of wages that is not accompanied by an increased productiveness of industry, has a contrary effect, and tends to sink the value of the commodities which the increased rate of wages would raise, and to elevate the value of those which the same increased rate would sink", EB7, p.297. Cf. EB8, pp.250-51. The wording is slightly different, but the substance the same.
  - (2) "Political Economy", EB7, p.297. Cf. EB8, p.251.
  - (3) McCulloch to Ricardo, Aug.11, 1823, Works, Vol.IX, p.344.
  - (4) "Principles which Determine the Exchangeable Value of Commodities", Scotsman, Feb.21, 1824, p.113.
  - (5) The spontaneous products of nature, assuming their super-abundance, are regarded as of little or no value, whereas the goods produced by human labour are valuable - in part because of the sacrifice incurred in production. See (e.g.), "Political Economy", EB6, pp.216-8; Principles of Political Economy, (henceforth PPE) 1st ed., 1825, pp.117-118.
  - (6) This clarification of the concept of value is first introduced in PPE, 1st ed., 1825, pp.115ff.

The essential idea of value in exchange is that it is a relational concept. There is no such thing as absolute value in exchange. This form of value is meaningful only when the worth of two or more commodities is being compared,<sup>1</sup> thus an alteration in the exchangeable value of a commodity signifies an alteration in its ratio of exchange compared to other commodities.

If A rises, it must be in relation to something else, as B, and if B falls, it must be in relation to something else, as A, so that it is obviously impossible to change the relation of A to B without at the same time changing that of B to A.

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A commodity could only be constant or invariable in its exchangeable value if it always exchanged for the same quantity of all other commodities (or labour), which implies, McCulloch alleges, that the circumstances determining these present relationships remain precisely the same at all times. However, to say that value in exchange is a relational concept does not explain how the relationship between goods is determined; that, according to McCulloch, is a function of labour expenditure, the principle underlying real value. The real value of a commodity is determined by the "quantity of labour required to render a demand effectual",<sup>3</sup> or as it was alternatively expressed, by "the quantity of labour, or of sweat and toil, required ... to produce or obtain articles or products".<sup>4</sup>

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(1) The point though obvious was not normally explicated by the Ricardians. It is possible that McCulloch's decision to illuminate this point was prompted by the publication of Samuel Bailey's A Critical Dissertation on the Nature, Measure and Causes of Value, 1825.

(2) PPE, 1st ed. , pp.115-116.

(3) Ibid., pp.116-117.

(4) PPE, 2nd ed., 1830, pp.293-4.

If then, it should, under such circumstances, <sup>1</sup> be found that the power of a commodity A, to purchase, or exchange for another commodity B, was increased, and if it should also be found that an equal increase had taken place in the quantity of labour required to produce A, while the quantity required to produce B continued the same, we should be entitled to say, that A had increased in real value.

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Real value refers, therefore, to the cost underlying production. Although the quantity of goods produced by equal quantities of labour may vary, due to differences in the application of labour, technological innovations enhancing labour productivity, or the differential fertility of land,<sup>3</sup> the value of those goods will be the same, since labour expenditure "must unavoidably occasion the same sacrifice to those by whom it is performed."<sup>4</sup> McCulloch assumes as it were, that the disutility per unit of labour is constant.<sup>5</sup>

This discussion of the distinction between value in exchange and real value tells us little, however, about how McCulloch regarded the functioning of the labour theory of value. Now, McCulloch's usual procedure in any discussion of value was to relegate the influence of supply and demand to the short term, and to concentrate on enunciating the principles regulating cost of production, since this cost was assumed to be the regulator of value.<sup>6</sup> It is important to note two things here: firstly, that by cost of production,

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- (1) Assuming the free reproducibility of commodities, and the exact coincidence of supply and demand.
  - (2) PPE, 1st. ed., 1825, pp.116-117.
  - (3) Ibid., p.117.
  - (4) Ibid., p.117. Cf. also pp.118, 120-121. That McCulloch should identify labour with disutility is unsurprising since he believed that man had a natural aversion to labour and that the only reason that he was "prepared to submit to the greatest privations" was to acquire the wealth necessary to existence ("Political Economy", EB6, p.218).
  - (5) Blaug, op cit., p.56. Following Smith, McCulloch also assumes that the varying degrees of disutility incurred in different fields are equalised in the market, so that wages are (in part) determined by a disutility schedule.
  - (6) See e.g. "Ricardo's Political Economy", Edinburgh Review, 1818, Vol.XXX, p.61.

McCulloch usually means "the quantities of labour required to produce them [Commodities, that is] and bring them to market";<sup>1</sup> and secondly, that he is normally talking about the cost of producing the marginal unit, i.e., the cost of producing the last unit of any good.<sup>2</sup>

In a capital-less stage of society, labour quantity only is assumed to regulate value.<sup>3</sup> However, where capital exists, McCulloch, if he is to consistently enunciate a labour cost explanation of price, must show that its cooperation in production is reducible to labour quantity. This he attempts to do by arguing that capital is nothing but the "accumulated produce of anterior labour"; and that the value of commodities produced in a capitalist economy, is regulated by "the total quantity of immediate labour and of accumulated labour, or capital, which have been necessarily laid out in their production",<sup>4</sup> with profit defined simply as the "wages of accumulated labour".<sup>5</sup>

Accepting McCulloch's hypothesis that value is regulated by total quantity of labour, it is important to note two things: firstly, that the durability of the capital employed in production is significant in determining value, for the greater its durability the lower the return to capital, compared to capital of a less durability, since a proportionately less amount will be expended in production. Thus, on the assumption that the profits of stock are simply the "wages of accumulated labour", it can be surmised that

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- (1) "Political Economy", Encyclopaedia Britannica, 8th ed., 1859, p.239.
  - (2) "Cost of Production: the Regulating Principle of Price", Scotsman, June 8 1822, p.182, and June 27, 1822, p.207. See O'Brien, art.cit., p.338.
  - (3) "Political Economy", Supplement to the Encyclopaedia Britannica, 6th ed. 1824, p.253.
  - (4) Ibid., p.263 (original emphasis)
  - (5) Cf O'Brien, The Classical Economists, p.85, where he makes a similar point with regard to Ricardo.

these wages vary inversely with the durability of capital,<sup>1</sup> and secondly, that McCulloch is here confounding profit - usually conceived of as the return on capital over and above payments to labour and capital expenditure - with amortisation costs.

This confusion between profit and amortisation costs stems in part from an article McCulloch wrote, entitled "Mr. Ricardo's Theory of Exchangeable Value Vindicated from the Objections of R",<sup>2</sup> which contained an unsolicited defence of Ricardo's theory of value against the criticisms of Colonel Robert Torrens.<sup>3</sup> Torrens had alleged that once society had advanced beyond a state in which labour comprised the only factor of production, the labour theory of value was inapplicable, and cites Ricardo's "admission" that "when capitals are of different degrees of durability, the products of equal quantities of labour will not be of equal value" as evidence of this.<sup>4</sup> Rather, advancing the truism that as the profit rate tends towards equality in all fields, products obtained by the employment of equal capitals will be of equal value, whilst the labour embodied in them varies in amount, he proposes a capital theory of value.

Against this McCulloch had claimed that, in actuality, Ricardo and Torrens were advancing the same thesis:

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- (1) "Political Economy", EB6, p.263. Cf. O'Brien, art.cit., pp.332-351, passim.
  - (2) Signed "M", McCulloch's article appeared in the Edinburgh Magazine, Nov.1818, pp.429-31.
  - (3) Signed "R", Torrens' article: "Strictures on Mr. Ricardo's Doctrine respecting Exchangeable Value", appeared in the Edinburgh Magazine, Oct.1818, pp.335-8.
  - (4) Ibid., p.336.

To tell us that the value of commodities depends on the amount of capital consumed in their production is only another, but an extremely cumbrous, roundabout and incorrect way of telling us, that their value depends on the total quantity of labour required to bring them to market.

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McCulloch is, of course, failing to recognise that Torrens counts only capital (or accumulated labour), whilst Ricardo is adding together both immediate and accumulated labour.<sup>2</sup> If no profit (qua interest) were paid, then the argument that value is determined by the amount of immediate labour and accumulated labour expended in production might be tenable. However, as Blaug notes, relative value is never strictly equal to the "total quantities of labour required", when the rate of profit is uniform but the factor mixes of commodities variable.<sup>3</sup> The problem arises because the supply price of machines (capital) includes a going rate of profit. Thus, as Blaug continues, the greater the proportion of fixed capital per labourer, the greater the percentage of non-labour income in cost price, and the lower the proportion of wage cost to sales price.<sup>4</sup>

Some account must be rendered of the role of profit in value-determination. A definition of profits as the wages of accumulated labour fails to take

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- (1) "Mr. Ricardo's Theory ... Vindicated", p.341 (original emphasis).
- (2) This confusion persisted until the 1859 version of "Political Economy" for the Encyclopaedia Britannica. See, for instance, his "Review of Torrens' Essay on the Production of Wealth", Scotsman, Dec.22, 1821, pp.406-7, "Political Economy", EB6, pp.267-8, EB7, p.298. etc. Cf., O'Brien art.cit., pp.332-351, passim, McCulloch's defence in the Edinburgh Magazine is also of note since he denies that Ricardo ever admitted the problem of capital durability, when he is explicitly aware of the fact that Ricardo did just that. See Ricardo to McCulloch, 24 Nov., 1818, Works, Vol.VII, p.337 "I have distinctly stated ... that value is not regulated solely by quantity of labour, when capitals employed ... are not equally durable".
- (3) Blaug, Mark, Ricardian Economics, pp.47-8. Capital labour ratios could vary, but their sum would be equal.
- (4) Ibid., pp.47-8. Cf., also O'Brien, op.cit., p.85.

account of the fact that production is a time-consuming process; of the reasons a man should employ capital to set to work labour to produce machines, rather than directly saleable goods;<sup>1</sup> and why the capitalist furnishes the funds for maintaining labour and the wherewithal necessary to production in the first place.

Clearly, the answer lies in the fact that the capitalist expects to make a profit on his investment. Now, profit, strictly speaking, is "the advantage or gain resulting to the owner of capital from its employment in industrious undertakings. It is the premium as it were, on accumulation".<sup>2</sup> Ricardo locates the source of this "advantage or gain" in the compensation due to the capitalist for the disutility of "waiting",<sup>3</sup> whereas, McCulloch, sees it, initially at least, as a reward for productiveness. The question is, how do these contrary explications of profit relate to value determination?

McCulloch and Ricardo's contrary viewpoints on the conditions requisite for the emergence of profit were mainly posited in their extensive correspondence during the 1820's. The example they focused on primarily concerned the case of new wine, which after a period of storage, appears to have acquired additional value. Ricardo explained such additional value (or "profit") as a compensation for waiting. McCulloch, however, attempted to explain it in

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- (1) This example is culled from O'Brien, op.cit., p.85.
- (2) See A Dictionary, Practical, Theoretical, and Historical, of Commerce and Commercial Navigation, 1875, ed., pp.1134, and W.T.Brande (ed.) A Dictionary of Science, Literature, and Art, 1853 ed., pp.986-7.
- (3) Cf., Ricardo to McCulloch, June 13, 1820, Works, Vol.VIII, p.193, where time is the only variable dimension of capital the labour embodied in production cannot estimate value, the "price of the commodity must also compensate for the length of time that must elapse before it can be brought to market". See also, Ricardo to McCulloch, May 2, 1820, Works, Vol.VIII, p.180. Cf., O'Brien, art.cit., p.337.

terms of the productiveness of "labour"<sup>1</sup> - albeit a concept of labour far removed from the norm. The mere passage of time, McCulloch observes, cannot ipso facto explain the increased value of wine, since time itself "produces no effect whatever"; but it does afford "space for really efficient agents to produce effects".<sup>2</sup> So it is the change in the actual nature of the wine that explains its increased value. Obviously, this approach is somewhat problematic.

The "effects" noted by McCulloch are seemingly those necessary to render a commodity fit for consumption, for a wine kept in storage for any period of time, whose substance at the end of that period had not altered for the better, would not, according to McCulloch's hypothesis, have acquired any additional worth: additional value only accrues because a necessary change has taken place in the substance of the good in question.<sup>3</sup> What McCulloch must establish, therefore, is what causes that change? and is it explicable in terms of the labour theory of value?

Obviously, on a wine kept in storage for any period of time, it is clear that no additional human labour has been expended - but, according to McCulloch, this does not mean that labour per se has not been applied to the product, since labour, for this author, is not conceptualized simply in terms of the actions of man. Indeed, McCulloch condemns Ricardo for the very assumption that labour "should be applied by the instrumentality of workmen"; it is,

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(1) That is, until the 1830 edition of the Principles.

(2) McCulloch to Ricardo, Aug. 11, 1823, Works, Vol. IX, pp. 342-3.

(3) This specification of the nature of profit may have been advanced in order to demonstrate that profit has something distinct from mere speculation.

he claims, immaterial whether it is by "human hands, by machines for making beef, or by the action of natural juices in the process of fermentation" that labour is applied,<sup>1</sup> for labour may be defined as "any sort of action or operation, whether performed by man, the lower animals, machinery, or natural agents that tends to bring about any desirable result".<sup>2</sup>

This conception of labour is significant in a number of ways: firstly, it applies to any process that renders production complete; secondly, and by implication, it empties the concept of human labour of any special status.<sup>3</sup> Man is conceived merely as a machine, the repository of a natural force, requiring a certain amount of labour for his construction (reproduction), and to replace his wear and tear (his subsistence). He is, as it were, a "portion of national capital".<sup>4</sup> He labours (i.e. produces "desirable results") only in the same way as machinery or nature. Thirdly, this conception of labour makes all those factors subsumed under it ultimately rewardable, enabling McCulloch to deny to human labour any special notion of entitlement. The juridical claim advanced by Locke and Hodgskin, for example, that because man has property in his labour he has a title to the produce of that labour, is potentially undermined, for if the labour of man can give him an exclusive title to the

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- (1) McCulloch to Ricardo, Dec. 5, 1819, Works, Vol. VIII, p. 138.
- (2) McCulloch (ed.), The Wealth of Nations, 1828, ed., Vol. 4, p. 75. (original emphasis).
- (3) Yet this conflicts with McCulloch's own view that human labour is the "talisman" that has raised man in terms of civilisation. Cf "Political Economy", EB6, p. 235. Indeed, the Smithianesque stadial hypothesis adopted by McCulloch has the purpose of showing that it is the growing efficiency with which that labour is applied that is responsible for man's more exalted status in commercial society.
- (4) PPE (1st ed.), p. 169. On the grounds that human labour is a "machine" (a portion of national capital) it might be argued that the capitalist as its owner can appropriate the value generated by it. An underlying, assumption of the distributional theories of the economists was I believe that the labourer not only sells his labour to the capitalist (for wages), but also (and necessarily) his title to the product of that labour. Cf James Mill, Elements, ed. 3, pp. 19-21 and 41; and Chapter 4, Section 2 (i) pp. 268-282

property created by that labour, then, by implication, the labour of nature, or the labour of capital might also be seen to create a title to property. Nature could, as it were, hold property rights. Similarly capital, by labouring, could also be seen to generate a right to property - and since capital is the property of the capitalist, the produce of the labour of that capital will be seen to be his.

Geoff Hodgson has suggested in his book, Capitalism, Value and Exploitation A Radical Theory<sup>1</sup> that the post-Lockean justification of the distribution of wealth - that is, a theory of distribution taking as given the existence of three productive sectors all entitled to factorial returns - relies on the exposition of a theory of value which manages to dissolve any distinction between man and nature in property-holding terms. One way in which this distinction could be dissolved was to argue with Adam Smith, that the act of labouring could be conceived as an act of exchange. Thus, the statement, "Labour was the first price, the original purchase-money that was paid for all things",<sup>2</sup> implies, Hodgson asserts, that labouring - which involves the creation of an output - is, in fact, an act of exchange. Someone or something is being paid - and that something is nature. "Production is an 'exchange with nature'",<sup>3</sup> which implies that nature too can hold rights to property.

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(1) Hodgson, op cit., pp.108-110.

(2) Adam Smith, WN.I, v.2.

(3) Hodgson, op cit., p.110. Thomas Hodgskin in both Labour Defended Against the Claims of Capital, (London, 1825), pp.75-78; and Popular Political Economy, (London, Charles Tait, 1827), pp.219 ff., actually makes this point. "Natural or necessary price means ... the whole quantity of labour nature requires from man ...", Pop.Pol.Ec., p.219, Chapter 7, Section 3.

McCulloch's concept of labour, which accords no special proprietary title to human labour, enables him to avoid some of the juridical/distributional consequences implied thereby. By extending that concept to cover all species of productive activity, McCulloch can then imply that all labour deserves some kind of reward. The question about additional value then becomes a question about the title to that additional value. Now, McCulloch assumes that nature has laboured to create that value, and that since the capitalist owns the product - having previously remunerated labour for its services - ascribes the additional value to the capitalist. However, the argument that it is the productivity of nature which is the source of profit, is, of course, highly artificial. What has happened, in actuality, is that the human labour invested in production, has, by operating on capital, created the potential, or the conditions necessary to bring wine to maturity. It has, as it were, intentionally set up the conditions for fermentation. In other reasonings, therefore, labour might be ascribed that additional value.<sup>1</sup>

Until 1830, then, McCulloch was of the view that additional value accrued because a change had taken place in the commodity in question, via the labour of nature. In the edition of the Principles of that year, however, this thesis was abandoned.<sup>2</sup> In its stead, the author argues that the change in the wine "is entirely brought about by the operation of natural agents" whose principal productive characteristic is that they "render their services gratuitously".<sup>3</sup> "Profit" or "additional value" accrues because "the cask of wine is a capital", which requires "time for the processes of fermentation, decomposition, etc., to effect the desired changes".<sup>4</sup> As O'Brien notes "waiting" also seems to be

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(1) i.e., Where the ownership of capital does not create a title to property.

(2) PPE (ed.2), pp.352-4.

(3) Ibid., p.353.

(4) Ibid., pp.353-4.

proffered by McCulloch, as it was previously by Ricardo, as the explanation for this increased value.<sup>1</sup> It is only in the 1838 edition of the Wealth that McCulloch finally acknowledged that both time and productiveness are apposite to the generation of profit.

The value of that change is not, however, dependant upon them [*i.e.* natural processes], but on the amount of capital, or of the produce of previous labour, that cooperated with them in the production of the effect, and the time during which it was so employed.<sup>2</sup>

Additional value reflects, therefore, reward on the value of a given investment of capital.<sup>3</sup>

The fact that McCulloch is gradually compelled to acknowledge implicitly that the labour theory of value cannot explain the relative price structure of a capitalist economy, since it cannot discount the fact that the value of commodities reflects, not only labour quantity, but also the relative time periods of capital investment,<sup>4</sup> leads him ultimately to the enunciation of a cost of production thesis. Price - or the value in exchange of goods calculated in monetary terms - is estimated by reference to the quantity of labour and capital necessary to production, plus the ordinary rate of profit at the time, with profit construed as "the excess of the produce realized by those who engage in industrial pursuits, over and above the produce necessarily expended in carrying them on".<sup>5</sup>

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(1) O'Brien, art.cit., p.349.

(2) McCulloch, (ed.), Wealth of Nations, 4th ed., 1850, p.437. Cf. O'Brien, art.cit., pp.349-50.

(3) Blaug, Ricardian Economics, pp.49-50.

(4) The slower a good is produced, the higher its price must be. Burkitt, Brian, op cit., pp.32-3; 35-6.

(5) PPE, 5th ed., 1864, p.55.

The acknowledgement that the capitalist only furnishes the funds and material necessary for production to be carried on, in the expectation of a reward, is in part related to McCulloch's concern with growth. Following Smith, McCulloch identifies capital accumulation as one of the principal requisites for growth.<sup>1</sup> Since the magnitude of capital accumulation is contingent on the rate of profit<sup>2</sup> (and on the level of productivity), McCulloch's theory of profit must explain the emergence of profit as an excess over and above the costs necessary to production. Accumulation occurs because saving (or parsimony) is a basic human desire motivated by the will to better our condition, and indeed, "such is the wise arrangement of nature, that while high profits afford greater means of saving, they give additional force to the parsimonious principle".<sup>3</sup> The explanation of profit - and the role of capital in value formulation - required by the labour theory of value is, I believe, inconsistent with the views on profit necessary to McCulloch's conception of growth. Hence his gradual move away from profits as the wages of accumulated labour (qua a charge for depreciation) to profit as a surplus over and above the costs of production; and the gradual modification of the labour theory of value to a cost of production hypothesis.

In this section we have seen that McCulloch was compelled, through his recognition of the fact that the labour theory of value could not account for

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- (1) Capital is defined by McCulloch as "that portion of the produce of labour which is saved from immediate consumption, and employed in maintaining productive industry, or in facilitating production", "Political Economy" EB6, p.244. (original emphasis).
- (2) See PPE, 2nd ed., 1830, p.116, and PPE, 5th ed., 1864, p.55.
- (3) PPE, 1st ed., 1825, pp.60-61.

the effects of capital (and profit) in value determination, to abandon that thesis in favour of a cost of production theory. We have also seen just how extensive a conception of labour McCulloch employed in his attempt to reduce profit to labour. In the next section, it is our aim to examine James Mill's treatment of value formation, considering in the course of that treatment Mill's adoption of McCulloch's "labour (embodied-in-capital) goes-on-working" theorem.

Section 4: James Mill - A Disciple Plus Royaliste?

Eric Roll, in the History of Economic Thought, commented of James Mill and John Ramsay McCulloch, that "in them the contradictions and confusions of Ricardo are either repeated, glossed over, or left out",<sup>1</sup> whilst Donald Winch in his Introduction to the Selected Writings of James Mill, notes that it was:

Mill's attempt to do for Ricardo what he had already done for Bentham in the field of law and government: to consolidate the Ricardian School and remove any obstacles which might be the way to a full acceptance of 'correct' principles

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that motivated Mill's composition of the Elements of Political Economy.<sup>3</sup> In other words, both men are deemed to have foresaken originality in favour of popular exposition.<sup>4</sup> Whilst the charge when levelled against McCulloch's system of political economy, generally, is somewhat unfair, given his propensity in later writings to develop ideas and themes directly at variance with Ricardian orthodoxy, reflecting more the impact of Smithian concepts,<sup>5</sup>

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- (1) Roll, Eric, History of Economic Thought, (London, Faber and Faber, 1953), p.300, Cf. Blaug, Ricardian Economics, p.46.
- (2) Winch, Donald (ed.), Selected Economic Writings of James Mill, (Edinburgh Oliver and Boyd Ltd., 1966) p.188.
- (3) Mill, James, Elements of Political Economy (London, ed.I, 1821; ed.2, 1823, ed. 3, 1826, reprint 1844). All references unless otherwise stated are to the 1844 reprint of edition 3. (New York, Augustus M.Kelley, 1965).
- (4) Cf., Blaug, op.cit., p.46.
- (5) See below, chapter 4; Cf. O'Brien, J.R.McCulloch, for a consideration of the comparative Smithian or Ricardian paternity of McCulloch's political economy.

the charge when directed at Mill is, on the whole, inescapable. For, although Mill did innovate in some areas<sup>1</sup>, the primary motive behind his political economy was simply to give a logical, but rudimentary, account of the Ricardian system, and thus the Elements of Political Economy is advertised as a "school-book" composed for the dissemination of those principles.<sup>2</sup> Mill's tendency to view Ricardianism as an accepted doctrine requiring propagation and defence, and not a system requiring criticism or revision, is again evidenced, as Winch observes, in Mill's attitude to the Political Economy Club.<sup>3</sup> In addition Mill himself regarded his relationship with Ricardo as one of a committed apostle, proclaiming in a letter to McCulloch after the death of Ricardo, that:

... as you and I are his two and only two  
genuine disciples, his memory must be a  
bond of connection between us. 4

Limiting ourselves in this chapter to classical economic theories of value, it will be the main purpose of this section to examine Mill's treatment of both value determination and measurement, evaluating as we go the degree to which he supports, and the degree to which he deviates from, Ricardian orthodoxy in his value analysis. We defer consideration of his contribution to the classical economic theory of distribution to the next chapter.

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- (1) Blaug cites, for example, Mill's proposal to tax the "unearned increment" of rental values, op cit., p.46.
  - (2) Elements, p.iii.
  - (3) Cf., Winch, Selected Writings, pp.192-3. Mill argued for example, that it was the duty of the Club to "study the means of obtaining access to the public mind through as many as possible of the periodical publications of the day and to influence as far as possible the tone of such publications in favour of the just principles of Political Economy" (cited in Winch, op cit., p.192)
  - (4) Mill to McCulloch, 19 September 1823, in Sraffa ed., Works, Vol IX, pp.391-2. Ricardo had died on 11 September that year.

Ricardo's theory of value, as we demonstrated in section 2, consisted exclusively in a labour cost explanation of both value determination and value measurement. It is our contention in this section that it was out of an attempt to simplify and thence defend this labour cost explanation of value, that many of the absurdities inherent in Mill's theory of value arose.<sup>1</sup>

Mill's exposition of value in the Elements begins with an attempt to explain the principles regulating the rate of exchange of commodities. Considering the market exchange rate first, Mill declares that this rate is set according to the principles of supply and demand.

If a great quantity of corn is brought to market to exchange for cloth, but only a small quantity of cloth is brought to market to exchange for corn, then a great quantity of the former will exchange for a small quantity of the latter. However, whilst it is the proportion of supply to demand that influences this market exchange ratio, this alone does not explain the manner in which the proportion of supply to demand is regulated in the first place, rather this requires an elucidation of the laws underlying the conditions of supply, that is, the laws regulating cost of production.<sup>2</sup>

Like Ricardo, Mill assumes that two factors combine in production, viz., labour and capital. Labour, for Mill, represents not only the physical exertion of the labourer, but also comprises his consumption, for "there can be no labour, without the consumption of the labourer,"<sup>3</sup> thus "in the idea of labour, the idea of this subsistence is included",<sup>4</sup> whereas capital.

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- (1) See, for example, Mill's treatment of the problem of the passage of time and the generation of profit in value regulation; and the "wage durability-of-capital" conundrum. See below, pp.198-204 & pp.205-207.
- (2) Following both Smith and Ricardo, Mill assumes that the market price of any article will tend to fluctuate about its cost of production.
- (3) Elements, p.9.
- (4) Ibid., p.8.

comprises "the instruments which aid labour, and the materials on which it is employed".<sup>1</sup> With the exception of original or primitive capital - that is, the first capital utilised by man which is the result of pure labour on the materials of nature - all capital is the result of previous labour. Thus, "the flax and the cotton, which are to be manufactured into cloth and muslin, have been the result of the labour of agriculture".<sup>2</sup>

Assuming a scenario where labour is the only factor of production Mill sets out to demonstrate that labour quantity measured in man hours regulates value. Thus: "in the rude state of society, if the hunter and the fisherman desired to vary their food, the one by a portion of game, the other by a portion of fish, the average quantity which they took in a day would form the standards of exchange".<sup>3</sup>

Although labour quantity determined in man hours appears to be the only determinant of value, Mill, like Smith and Ricardo before him, also acknowledges the problem of the differential characteristics of different jobs, noting that "an allowance would, of course, be included", in the estimate of labour quantity, "for different degrees of hardness and skill".<sup>4</sup> Where Smith, and Ricardo suggest that, in substance, the "higgling and bargaining" of the market would establish this differential scale, Mill makes no mention of the process by which a differential scale would be set. Having cursorily dismissed the problem of wage differentials, Mill moves on to show, à la Ricardo, that capital is reducible to labour.

Since the first capital must have been the produce of pure labour, it is obvious, asserts Mill, that the value of this capital, "the quantity

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- (1) Ibid., p.17.
  - (2) Ibid., p.17. See p.19 also.
  - (3) Ibid., p.95.
  - (4) Ibid., pp.95-6.

of other commodities for which it would exchange, must have been estimated by labour".<sup>1</sup> Now, as the value of the commodities produced by the first capital is determined by labour quantity, and as the capital of the second stage must comprise goods manufactured in the first stage, it is patent that the value of this second-stage capital is also regulated by labour. And "it thus appears by the clearest evidence, that quantity of labour in the last resort, determines the proportion in which commodities exchange for one another".<sup>2</sup>

Hitherto, Mill has merely restated the substance of Ricardo's theory of value. However, incorporated into the second edition of the Elements is a consideration of the effect of time on value determination, which reflects the curious "labour (embodied-in-capital) goes-on-working" theorem developed by McCulloch.<sup>3</sup> It had been alleged, against the labour theory of value, that the worth of commodities is affected by time, "without the intervention of labour", for the simple reason that when the profits of stock are included in price, "so much must be added for every portion of time which the production of one commodity requires beyond that of another",<sup>4</sup> and so it was cost of production that was seen to regulate value in exchange, and not simple labour expenditure.

Thus: ... if the same quantity of labour  
has produced in the same season a cask of  
wine, and 20 sacks of flour, they will exchange

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(1) Elements, 1844, p.96.

(2) Ibid., p.98.

(3) The phrase "labour (embodied-in-capital) goes-on-working" is taken from D.P.O'Brien's article: "J.R.McCulloch and the theory of value", pp.332-351, passim.

(4) Elements, 1844, ed., p.99.

against one another at the end of the season: but if the owner of the wine places the wine in his cellar, and keeps it for a couple of years, it will be worth more than the 20 sacks of flour, because the profits of stock for the two years must be added to the original price. 1

Here, it was affirmed, was an addition to value not proportioned to labour, which provided evidence that value in exchange was not regulated by labour alone. Mill, following McCulloch, claims that the above hypothesis is based on a "misapprehension" concerning the nature of profit.<sup>2</sup>

In order to explain why something like a cask of wine which cost a particular quantity of labour (and capital) in its production, should acquire labour, Ricardo, unlike Mill and McCulloch, had argued that where relative labour quantity determined value, when nothing but labour was bestowed on the production of commodities, and that labour for an equal length of time, the minute production times become unequal, then labour quantity, though still perhaps the principal determinant of value, can no longer be considered as the sole determinant of value, "for besides compensating for the labour embodied in production, the price of the commodity must also compensate for the length of time that must elapse before it can be brought to market".<sup>3</sup> In other words the additional value of the

(1) Ibid., p.99.

(2) McCulloch in a letter to Ricardo, writes that: "In so far as you differ in opinion with me on the vexata question of value, I think the difference principally hinges on the interpretation we are to give to the word profit - whether is [sic] the additional value we get back in exchange for capital we have employed in production a compensation for time, or for our forbearance in not having consumed the capital immediately, or is it a positive additional value resulting from the employment of the capital and not dependent on time?" McCulloch to Ricardo, August 24, 1823, Works, vol.IX, pp.366-7.

(3) Ricardo to McCulloch, June 13 1820, Works, vol.VIII, p.193. The problem of varying production times (etc.) is dealt with in Ricardo's treatment of the question of the "wage/durability-of-capital" theorem. See pp.169-173.

wine - represented as profit - signifies compensation for the disutility of waiting: since waiting involves a real cost.

Contra Ricardo, McCulloch had asserted, as we revealed in the last section, that time of itself was unimportant, merely affording "space for really efficient agents to produce effects,"<sup>1</sup> With these "efficient agents" all falling under McCulloch's umbrella term "labour", defined as "any sort of action or operation, whether performed by man, the lower animals, machinery, or natural agents, that tends to bring about any desirable result."<sup>2</sup> So the increased value accruing to the capitalist on wine laid down for a year represents, not compensation for the disutility of waiting, but rather reflects "labour" expenditure, or the productiveness of the labour (of natural agents) set in motion by a quantity of capital, viewed as accumulated labour. Increased value is not a "compensation for the time that capital has been locked up", it is the result of "an effect produced by agents which it has cost a certain quantity of capital or labour to set in motion."<sup>3</sup> Profit is, therefore, "only another name for the wages of accumulated labour."<sup>4</sup>

Mill, in the second edition of the Elements, follows McCulloch's lead contra Ricardo. "Profits" he claims, "are, in reality the measure of quantity of labour"<sup>5</sup>; they represent "the wages of that labour which is applied not immediately by the hand, but mediately, by the instruments which

- (1) McCulloch to Ricardo, Aug 11 1823, Works, vol IX pp.342-3.
- (2) McCulloch (ed), The Wealth of Nations, 1828 (ed) "Notes and Dissertations", vol IV, p.75. (McCulloch's emphasis). Cf., above, pp.186-190.
- (3) McCulloch "Principles which Determine the Exchangeable Value of Commodities and the Rate of Profit", Scotsman, Feb 21, 1824, pp 112-3. Mark Blaug notes that McCulloch had glimpsed the fact that differences in the length of production cycles presupposes a rate of interest to equalize the returns per unit of time on capital invested, but had failed to investigate the phenomenon. Cf., Blaug, Ricardian Economics, 2nd ed., p.50. NB. also, McCulloch abandoned this idea of profit as the wages of accumulated labour in edition 2 of the Principles 1830.
- (4) McCulloch PPE (ed.1) 1825, p. 154.
- (5) Elements, 1844 ed., p.99 Mill does not include the work of nature under the heading "labour", deviating slightly from McCulloch's definition.

the hand has produced."<sup>1</sup> Time, it is proclaimed, "does nothing ... [it] is a mere abstract term. It is a word, a sound, and it is the very same logical absurdity to talk of an abstract unit measuring value, and of time creating it."<sup>2</sup>

If two goods are produced for immediate consumption, with the same amount of labour embodied, they would, Mill claims, be of equivalent value in exchange. The quantity of labour expended in their generation would regulate their relative values. However, should the owner of one of these items (a machine, for example), rather than sell it, decide to employ it in production, in order to accrue profit, he would, instead of receiving its entire value all at once, receive deferred payments. In other words, he would receive an annuity, determined by the competition of the market, instead of a capital sum.<sup>3</sup>

There is, Mill proclaims, no real difference, therefore, in the exchangeable value of the two items produced by equivalent quantities of labour, however variously those items may be employed. The sale of one merely brings about the entire payment of its value immediately to its owner, whereas the employment of the other in production brings about its payment in installments. Capital is, therefore, simply hoarded labour which releases its value over time. The only sense in which time is relevant, then, is as it relates to the computation of that annuity according to which the quantity of labour applied in production can be

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- (1) Elements, 1844 ed., p.103. This phrase does not appear in earlier editions.
  - (2) Elements, 1824 ed. only, p.99. See Ricardo, "Absolute Value and Exchangeable Value" (A Rough Draft), Works, vol IV, pp.361-397. See pp.375-6 especially where he notes that the increase in value of the wine identified by Mill as a reflection of the quantity of labour worked up in it, is actually "a compensation for the time that the merchants capital has been invested in it."
  - (3) Thus "whatever the proportion which the capital sum bears to the annuity, whether it be ten years' purchase, or twenty years' purchase, such a proportion is each years annuity of the original value of the machine." Elements, 1844, p.100. The annuity is, therefore, the exact equivalent of the capital sum.

measured.

If capital, paid for by an annuity, is paid for at the rate of ten per cent, one-tenth of the hoarded labour may be correctly regarded as expended (or consumed) in one year. If the capital was the result of 100 days' labour, and is designed to last ten years, at an annuity payment of 10 per cent, one-tenth of the fruits of 100 days' labour is expended every year - which is "the same thing in the view of cost and value, as saying that 10 days' labour have been expended."<sup>1</sup> And so Mill proclaims, "if the wine which is put in the cellar is increased in value one-tenth by being kept a year, one-tenth more labour may be correctly considered as having been expended upon it."<sup>2</sup>

That additional labour has been expended on the wine is evidenced, exclusively by this increase in its value. Just as immediate labour creates value in proportion to the quantity of it utilised in production, so too does hoarded labour; thus profit is paid because the labour applied "mediately, by the instruments which the hand has produced"<sup>3</sup>, requires remuneration. Immediate labour is recompensed with wages, secondary labour with profits, with the rate of this return on profit reflecting the extent of value created by capital (hoarded labour) expenditure.

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(1) Elements, 1844 ed. only p.103.

(2) Elements, 1824 ed. only pp.97-98.

(3) Elements, 1844 ed. only p.103.

Mill's perspective on this question of the relationship between value, profit, and time is important in two ways: firstly, because Mill's conception of capital as hoarded labour releasing its value gradually over a period of time determined by the length of its amortisation process, provides, as Blaug notes, not an explanation of the emergence of profit or interest on capital, but simply of the value of a given investment of capital;<sup>1</sup> and secondly, because of the argument developed by McCulloch, and to some degree rehearsed by Mill, that labouring is a faculty attributable to non-human phenomena, which, as we demonstrated in the previous section, is an argument with interesting proprietary ramifications, for it denies to labour any exclusive appropriative title originating in value creation. Again this stance suggests that the classical economists failed to regard the status of human labour as in any way distinctive - in either property or value terms.

To borrow a phrase from Marx, labour is conceived not as "species - activity", a special attribute of human beings, but simply as the lowest common denominator in production, a factor to which all other value-related inputs may be reduced, and as such of a dehumanized, impersonal quality. This particular conceptualization of labour, and its links with value theory, tend to reinforce the claim we made in Section 1, that the classical economists regarded the labour theory of value, not as a causal theory, grounded in the notion that labour is unique in that it alone

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(1) Blaug, Ricardian Economics, 2nd ed., p.51. Blaug comments that both Mill and McCulloch, "in so doing ... already assume the existence of a discount factor independently determined, at which to capitalize the expected stream of future earnings". Cf., Elements, p.104.

can confer value upon an object<sup>1</sup> (which may or may not have proprietary implications), but as an explanatory theory, founded upon the assumption that value is principally estimable in terms of labour input - with capital reducible to labour quantity - but allowing factors other than labour to influence value formation.<sup>2</sup>

As we observed in section 2, Ricardo's theory of value developed in part, at least, out of an attempt to refute the Smithian proposition that the emergence of a capitalist economy based upon the existence of private property in land led inso facto to the abandonment of the labour theory of value, and to its replacement by a cost of production theory, for this implied that a change in the rate of return to any factor would alter the value of all those commodities in whose production that factor was employed. Abstracting land from the value equation through the enunciation of the differential theory of rent, Ricardo had set out to show that a change in the wage rate, whilst amending the share of the product falling to profit, would not necessarily affect the value of the commodity itself. However, consideration of the fact that factor mixes varied from industry to industry, and that capital itself could be of varying degrees of durability, compelled Ricardo to modify his argument and to acknowledge that fluctuations in the wage/profit rate may cause alterations in the exchange ratio of commodities, independent of labour.

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(1) Cf. Locke, "'tis Labour ... that puts the difference of value on everything", and "labour (that) makes the far greater part of ... value", II.8 40. (Original emphasis).

(2) See above, section 1, pp.149-153.

Mill, following Ricardo in the enunciation of a labour cost explanation of price, must also tackle the issue of the "wage/durability of capital" theorem. Beginning his analysis with his customary differentiation between capital - "hoarded, or secondary" labour - and labour - "immediate, or primary"<sup>2</sup> - Mill asserts that although both represent species of labour, there are important differences between them: firstly, they are not remunerated at the same rate, and secondly, the proportions of each combined in production varies from commodity to commodity.<sup>3</sup>

Abstracting for a moment from the issue at hand Mill notes that if two species of labour (skilled and unskilled, for example) existed, which did not rise or fall in value to the same extent, and which were combined differently in the production of various goods, then "this circumstance'... would create a difference in exchangeable values, as often as any fluctuation took place in the rate of wages".<sup>4</sup> For, if as often as the wages of skilled labour rose, those of unskilled labour rose twice as much, then "it is very obvious, that, upon a rise of wages, those commodities to the production of which a greater proportion of unskilled labour was applied,

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- (1) Ricardo does, of course, endeavour to minimise the significance of this qualifying factor to 6 or 7 per cent variation in value, declaring that profit could not be depressed permanently, beyond that limit. Principles, Sraffa ed., Works, vol.I, p.36.
  - (2) Elements, 1844, ed., p.105.
  - (3) Ibid., p.105.
  - (4) Ibid., p.106.

would rise in value as compared with those to which a less proportion was applied."<sup>1</sup>

Primary labour and capital as different species of labour, viz. skilled and unskilled labour, are, assuming varied factor mixes in the production of different articles, also affected by variations in the wage rate in the same way as skilled and unskilled labour, Mill argues. Thus the more capital-intensive goods are less affected by a change in the wage rate than labour-intensive goods. In order to illustrate his argument Mill constructs a model of a standard product in which labour and capital combine in equal ratios.<sup>2</sup>

Assuming an increase in wages, all those commodities made with a less proportion of labour to capital than the standard product will fall in value, as compared with those which are made with a greater proportion of labour to capital than the standard product, which will increase in value.<sup>3</sup>

However, although Mill adopts Ricardo's position in his discussion of the impact of a fluctuation in the wage rate upon value determination, he adopts a position plus royaliste on the question of the universal operability on the labour quantity theory, declaring that even though a variation in the wage rate will affect the rate of exchange of commodities, because of

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(1) ibid., p.105.

(2) ibid., p.107.

(3) ibid., pp.110-111. It is, Mill alleges, easy to compute the effect of a wage rise upon price. All goods are compared with money. If money is assumed to be produced, à la "standard" commodity, with equal quantities of labour and capital, then goods produced under comparable circumstances would not have their relative value interfered with by a change in the wage rate; whereas, those articles produced with a preponderance of labour would rise in price, and those at the other extreme, produced principally with capital, would fall in price. The aggregate level of price of commodities would, however, remain constant. See, Ibid., pp.112-113.

differences in the capital-labour ratios of different goods, "it would do so, without in the least degree affecting the truth of the proposition that quantity of labour determined exchangeable values,"<sup>1</sup> a defence of the Ricardian system so absurd as to provoke Ricardo to write:

If a watch and a common Jack altered in relative value without any more or less labour being required for the production of either of them, could we say that the proposition "that quantity of labour determines exchangeable value" was universally true? What I call exceptions and modifications of the general rule you appear to me to say come under the general rule itself. 2

The final element of Mill's theory of value concerns his elucidation of the concept of a measure of value, as distinct from the principles regulating value in exchange, where somewhat surprisingly Mill rejects labour quantity as the standard of value.

A measure of value, capable of estimating the power of purchasing articles over time, ought to be invariable in its own value, that is, its cost of production ought to be constant. However, the impossibility of finding such a commodity leads Mill (as it did Ricardo) to consider the best approximation available.<sup>3</sup> All that could be expected of this proximate measure was that it estimate the fluctuations in value of those commodities produced under identical (labour-capital) conditions to itself; and, secondly, that it gauge roughly the changes in value, prompted by variations in the wage rate, of goods produced under alternative (labour-capital) conditions of production to itself.<sup>4</sup>

Having rejected gold as a possible measure of value, Mill considers

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- (1) ibid., p106
- (2) Ricardo to Mill, 18 Dec. 1821, Sraffa ed. Works, vol. IX. p127. cf., Winch, Donald, ed., Selected Economic Writings, p260n.
- (3) Elements, 1844 ed., pp113-114.
- (4) ibid., p114: The measure of value might be "accommodated by calculation to the change in value" of goods produced by different factor mixes. How it may be accommodated remains unclear.

labour, since the exchangeable value of commodities is directly proportioned to labour quantity, but rejects it on three counts: firstly, that it is unsuitable because two kinds of labour are employed in production, and the proportion of the product received by each varies, leading to a corresponding variation in the value of goods produced under different circumstances; secondly, because "we have no practical means of ascertaining before hand the exact quantity of hoarded labour which goes to production, since the only measure we have of its quantity is the price which it brings"<sup>1</sup>, and, finally, because the productive power of labour is variable. If, for example, a uniform quantity of gold is created by a day's labour, but variable amounts of corn or cloth, then the relative amount of gold would alter vis-a-vis corn or cloth.<sup>2</sup>

With the exception of a number of features, such as his treatment of value measurement, Mill's theory of value is, on the whole, little more than a reiteration, in highly simplistic terms, of the ideas of Ricardo. Where Mill does amend Ricardo's thesis, in an attempt at clarification, and popularisation, and in order to demonstrate the exclusivity of "labour" - in the broadest sense - in value determination, he usually adopts a position "more Ricardian than Ricardo himself"<sup>3</sup>, as evidenced, for example, by his assertion that the "wage/durability-of-capital" theorem was somehow compatible with the idea that labour cost alone explicates value in exchange; and by his conception of profit as the wages of "mediate" labour, derived primarily from McCulloch. The net effect of Mill's clarificatory modifications is, however, not to reinforce the credibility of the labour theory of value at all, but

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(1) ibid., p116. cf., pp114-115.

(2) ibid., p116.

(3) Halévy, Élie, The Growth of Philosophic Radicalism, trans. Mary Morris, (London, Faber and Faber Ltd., 1928), p343. Halévy was, of course, referring to McCulloch at the time, though the judgement seems more applicable to Mill.

rather, to undermine it. As McCulloch wrote of the Elements, in general:

Those secondary principles and modifying circumstances, which exert so powerful an influence over general principles are wholly, or almost wholly, overlooked by Mill ... although their consideration might be omitted in an original work like that of Ricardo, it is not so easily excused in an elementary treatise, 1

and certainly with regard to Mill's treatment of value, nothing could be more true.

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(1) McCulloch, J.R., Literature of Political Economy, (London, 1855), pp.17-18. Cf., Winch, ed., Selected Economic Writings, pp.188-189.

### CONCLUSION

Of the concept of value, F.von Wieser once wrote, it is "the essence of things in economics. Its laws are to political economy what the law of gravity is to mechanics".<sup>1</sup> For the classical political economists, studied in this dissertation, value certainly had such a crucial role: it was central to their delineation of the laws of distribution, the question of price, and the issue of welfare. The problem of value has, as we demonstrated in chapter 2, two dimensions: it may concern the principles regulating the exchange ratio of commodities, or it may concern the problem of value measurement.<sup>2</sup> And, indeed, it is possible to identify both of these dimensions within classical political economy. Thus, all the classical economists studied in this dissertation demonstrate a concern with value determination, whilst most - the notable exception is McCulloch - demonstrate a similar concern with value measurement.

In this chapter, we have concentrated on the nature and development of the labour theory of value within Ricardian thought. Adam Smith, we concluded in chapter 2, had developed three different explanations to elucidate various aspects of value theory: a "labour command theory" designed to explicate value measurement; a "labour quantity theory" designed to explicate the principles regulating exchangeable value in pre-capitalist societies in which land remained a free good; and, a "cost-of-production", or "adding-up" hypothesis, designed to explicate

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(1) Wieser, F. von, Natural Value, trans. by C.A.Malloch, (London, 1893), p.xxx. Cited in Myrdal, The Political Element in ... Economic Theory, p.58.

(2) See above, chapter 2, section 2(1), pp.84-88.

the principles determining the exchange ratio of commodities after capital had been accumulated, and land had become private property. We concluded in this chapter that it was the problems and inconsistencies - both apparent and real - within Smith's theories of value that formed the spring-board for the development of Ricardo's enunciation of a labour cost theory of value.

One particular question addressed by this dissertation is the nature of the relationship, if any, between labour, value and property. In section 1 of this chapter, therefore, we examined the status of that relationship within Ricardian economics, comparing the general assumptions of the labour theory of value, with those of the labour theory of entitlement. We concluded that the labour theory of value failed to accord any special status to human labour, whilst the juridical thesis is underwritten by that very assumption.

We demonstrated that, in consequence, "labour" simply represented, within the labour value thesis, a unit of measurement, the lowest common denominator in production, to which all other value-related inputs may be reduced, and that as such, the labour value thesis was an explanatory thesis. By contrast, we showed that the juridical thesis, conceiving "labour" as (in some sense) "species-activity" regarded labour as the only factor capable of creating value,<sup>1</sup> and that the theory of valuation advanced by juridical theorists was a causal theory. Finally,

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(1) Land and capital, whilst essential to production, are regarded as passive instruments in that process.

we concluded that the conception of property underlying the classical theory of value and distribution was not a conception derived from the natural rights theory of John Locke, but rather a conception derived from Utilitarian theory. This point will be explicated in greater detail in section 3 of chapter 5, where we shall discuss the notion of "security" within classical political economy.

In section 2, we moved on to examine the theory of value developed by David Ricardo. We demonstrated that in the Essav on Profit Ricardo was primarily concerned with the impact of a change in the price of corn on the profits of stock; that he employed a model of distribution conceived in simple physical product terms - the so-called "corn-ratio theory" - in order to explicate that impact; and that he ignored the problem of how the prices of commodities are regulated throughout the economy as a whole. In other words, Ricardo in the Essav did not present a systematic account of value determination.

In section 2(ii) we focused on Ricardo's value theory in the Principles of Political Economy and Taxation. We observed that Ricardo developed his views on value out of a critique of the ideas of Adam Smith, but that this critique was, in part, grounded in a misconception concerning Smith's labour command thesis. We demonstrated that Ricardo aimed to refute the Smithian claim that the labour cost theory was historically specific, by showing that even after capital had accumulated and land been appropriated, exchangeable value was still determined by labour quantity. This endeavour led Ricardo to argue that capital was

simply accumulated labour, and that it could, as such, be reduced to labour quantity<sup>1</sup> and that land - and the question of rent - was, in fact, extraneous to the question of valuation. So we shall explain in the next chapter, this latter point involved Ricardo in the enunciation of the differential theory of rent based upon the concept of diminishing marginal returns in agriculture.<sup>2</sup> Furthermore, we also noted in this section, that Ricardo's recognition that factor mixes are variable between industries led him to modify his strict labour cost position. Acknowledgement of the "wage/durability-of-capital" theorem compelled Ricardo to concede that the relative value of commodities might be modified by conditions other than alterations in the amount of labour requisite for production.

Our final point of inquiry vis-à-vis Ricardo concerned his exposition of a theory of absolute value. The purpose of this theory, we concluded was to enable Ricardo to construct a measure of value designed to estimate changes in the division of the total product of industry throughout time.

In section 3, we turned to the labour theory of value developed by John Ramsay McCulloch. We observed that McCulloch begins by enunciating a simple labour cost explanation of value, but that, following his recognition that the labour cost thesis was inadequate to accommodate the impact of variations in wages and profit on relative value, he developed a cost-of-production account of value regulation, with rent excluded in the usual post-Ricardian fashion. We also noted that McCulloch was only

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(1) Ricardo at this point assumes that factor mixes are constant throughout the economy.

(2) See below, chapter 4, section 1(ii).

interested in the issue of exchangeable value and that he regarded the quest for a standard of value as a waste of time. Our main consideration in this section related to McCulloch's conception of "labour", as enunciated in the light of the problem of profit generation for value determination, and the relationship of that conception of labour for distribution. Labour, for McCulloch, we observed, was a largely dehumanized concept, covering all species of productive activity. The fact that McCulloch did not accord to human labour any special status, we concluded, allowed him to deny that that labour might generate a special title to the property created by its exertion - as implied, for instance, in the juridical theses of Locke and Hodgskin. In this way, he could, we noted, allocate the additional value generated by maturing wine during its period of storage to the capitalist. Finally, we noted that McCulloch's initial, confused, belief that profit was a reward for productiveness, was gradually replaced by the awareness that both time and productiveness are apposite to profit-generation.

The labour theory of value enunciated by James Mill formed the focal point of section 4. We observed that, for the most part, Mill's theory of value was a simple reiteration of Ricardian orthodoxy. We also noted that it was out of his attempt to simplify, and thence defend the labour cost thesis that most of the absurdities and inconsistencies of Mill's value theory arose. Mill thus attempted to explain the increase in value accruing on maturing wine during its period of storage, in simple labour quantity terms. Here, as we showed, he adopted the "labour (embodied-in-capital) goes-on-working" theorem developed by McCulloch. The position adopted by Mill and McCulloch was, of course, at variance with the position adopted by Ricardo on this question.

The two former men enunciated an argument from productiveness, whilst the latter employed an argument from "waiting". Furthermore, Mill adopted and adapted the unusual conception of labour utilised by McCulloch. We concluded that the dehumanization of the concept of labour potentially undermines claims from human labour to the additional value created during the maturation process. In his discussion of the importance of the "wage/durability-of-capital theorem" for value regulation, we observed that Mill attempted to reduce this source of variation to an argument from labour quantity by analogizing wages and profit with the remuneration for two different species of labour, namely skilled and unskilled labour. Such an approach, we concluded, reflected Mill's misunderstanding of the concept of profit. Our final concern in this sub-section, was Mill's position on value measurement - a position distinct from that adopted by Ricardo, for Mill rejected labour as the most satisfactory candidate standard of value.

In this chapter we have been concerned with the labour theory of value in the writings of the classical political economists. In chapter 7, we shall examine the role of the labour theory of value in the writings of the anti-Ricardians.<sup>1</sup> We asserted at the beginning of this conclusion that the issue of valuation was closely related to the problem of distribution in classical political economy. It is our intention in the next chapter to examine that theory of distribution, and to comment, where appropriate, upon its connections with the labour value hypothesis.

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(1) See below, chapter 7, section 3.

Chapter 4. Distribution and the Classical Economists

The main subject matter of this chapter relates to the question of distribution and the Classical Economists. Distribution may be defined as: "the sharing of a joint product among an indefinite number of agencies (owners) cooperating in its creation",<sup>1</sup> and relates therefore, to the problem of how returns to the several factors of production are determined. The agencies, or factors, identified by the classical economists were threefold - land, labour, and capital - to which conformed not only three particular types of property income - rent, wages, and profit, but also three distinctive social classes - landlords, labourers, and capitalists. Each of the authors discussed in this chapter is endeavouring, therefore, to explicate the social process of division.<sup>2</sup> They are concerned not so much with pricing of productive services, and the mechanism whereby resources are allocated within and between industries, but with the actual physical division of the product of industry. For unlike Smith, who had sought primarily to explicate the way all productive factors would be transferred between competing uses moving from the least to the most remunerative until returns to all factors are equalised throughout the economy,<sup>3</sup> the Ricardians and Malthus had focused only on the movement

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- (1) Knight, F.H., 'The Ricardian Theory of Production and Distribution', I & II, Canadian Journal of Economics and Political Science, 1935, pp.3-25, and 171-196, p.6.
- (2) Ibid., p.176.
- (3) This is the substance of WN.I.vii, "Of the Natural and Market Price of Commodities". Smith was also interested in how the aggregate product of industry was partitioned, but this was slightly less significant than the issue of resource allocation.

of capital, regarding the equalisation of the returns on capital as capable, automatically, of equalising the rate of return to labour.<sup>1</sup>

The sense in which the "agencies" identified above may be seen to "co-operate" in production requires, however, some preliminary elucidation. Co-operation may simply represent conjoint operation: that is, land, labour, and capital may simply be regarded as factors whose co-operation is technically necessary to the production of a commodity. This fact, as such, conveys no particular information as to the ownership of, or shares in, the final product of those combined efforts.

Alternatively, co-operation in production may signify something about the bases of distributive claims. In this instance it is the co-operation of the social classes - landlords, labourers, and capitalist - in providing the requisite factors - land, labour, and capital - that is being considered. Such co-operation to bring about the completion of a productive process might then imply something about desert or reward - and also something about the legitimate foundations of property rights.

The classical economists, on the assumption that the actual pattern of ownership of the factors of production was itself legitimate, extrapolated, therefrom, to considerations about how the returns to such factors were determined, and, as such, employs the second definition of co-operation outlined above, although the question was empirical, rather than normative.

The anti-Ricardians however, denied that the prevailing distributive pattern was either just or legitimate, and thus through a critique of the technical side of production deduced that the labourer alone was entitled .

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(1) This is due to the belief that the value of a product was shared exclusively between labour and capital; and thus changes in the profit rate necessarily alter the rate of wages.

to a reward in the product of industry,<sup>1</sup> since the application of labour was necessary to render productive both capital and land. For them the issue of distribution was normative: they were interested in the just grounds of entitlement.

The empirical theory of distribution underlying the Ricardian system - and to some extent that of Malthus - relies on two principles: a marginal principle, and a surplus, or residual principle.<sup>2</sup> The former explains the derivation of rent, and the latter the division of the remainder - the residue - between wages and profit. There is, therefore, a double dichotomy inherent in this explanation of the distributive process. The social product as a whole is partitioned between land, on the one hand, and labour and capital combined, on the other. The latter share is subsequently split into two separate portions: one each for labour and capital respectively.

The marginal principle is founded on the claim that rent is price-determined, rather than price-determining: it represents the excess accruing over marginal costs, and can, as such, be abstracted from the issue of valuation - leaving the value of a commodity to be divided exclusively between the shares to labour and capital. This view of rent simplifies the problem of distribution, therefore, to a straight-forward dichotomy. Only one share appears to require explanation, the other being determined by subtraction. For the Ricardians the share requiring explanation was assumed to be that of wages. Using on the Malthusian doctrine of population growth, the classical economists argue that since population growth tends to outpace

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(1) Consideration of the anti-Ricardians' respective critiques of capitalism will be deferred until chapter 7. Suffice it to say that land, on the whole, was viewed as a free good accessible to all; and capital a product of labour rendered productive only through the application of labour. There are, of course, alternative expressions of these viewpoints.

(2) The classification adopted is a synthesis of two modes of categorisation derived from Knight, art.cit., pp 176 - 8 and Burkitt, Radical Political Economy, pp 21 - 24.

capital accumulation, the "active principle of change is on the side of population"<sup>1</sup> which combined with their interest in long run wage theory, and the concept of a natural wage, leads them to assert that profit comprises the residual element. It is calculated according to the marginal product of labour.

It is worth noting, in advance, that the basic foundation for the various theories of distribution propounded by the authors considered in this chapter is an agricultural model, premised upon a production cycle of one year's duration. The ramifications of this supposition will, however, be dealt with in those sections in which it has particular relevance, viz, the sections on rent and on the wage-fund hypothesis.<sup>2</sup>

This chapter will be divided into three sections: in section 1 we will consider the question of rent, focusing primarily on the thesis advanced by Ricardo, Mill and McCulloch; in section 2, we will examine the classical economic theory of wages, concentrating in section 2(i) upon the notion of the natural or subsistence wage rate, and in section 2(ii) upon the wage-fund explanation of market wages. In section 3, we will turn our attention to the question of profit, beginning with an analysis of the nature of the profit reward, continuing with a brief account of the problem of the origin of profit, and centring primarily upon an exposition of the manner in which the profit rate was seen to be determined.

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(1) Mill, James, Elements of Political Economy, p.7. Malthus' view on the relationship between wages and profit deviates somewhat from that of the Ricardians.

(2) See sections 1(ii) and 2(ii).

Section 1: The "Ricardian" Theory of Rent

(1) Background

The differential theory of agricultural rent developed simultaneously by Sir Edward West<sup>1</sup>, and Thomas Malthus<sup>2</sup>, and subsequently refined by David Ricardo<sup>3</sup>, grew out of the controversy surrounding the Corn Laws, 1813-1815. During the Napoleonic Wars, Britain's access to supplies of corn from the Continent had been closed off. Consequently British farmers had recourse either to the more intensive cultivation of land already in production, or to the extension of cultivation to previously unused, less fertile land. This led to an increase in the price of corn. With the end of the Napoleonic War, and the resumption of the corn trade with the Continent, prices at home fell, and agriculture was generally depressed. This fall in price prompted the landed classes to agitate for increased tariffs on imported corn in order to protect the high prices earned during the war.<sup>4</sup> Business interest, by comparison, was more concerned to ensure that the price of raw materials was kept down to the lowest possible point.

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- (1) An Essay on the Application of Capital to Land, with Observations Showing the Impolicy of any Great Restriction on the Importation of Corn, (Anon.,) (London, 1815)
- (2) An Inquiry into the Nature and Progress of Rent (London, 1815). Malthus substantially reiterates the arguments of the Inquiry in his Principles of Political Economy (London, 1820)
- (3) Essay on the Influence of a Low Price of Corn on the Profits of Stock. (London, 1815) in Sraffa ed., Works vol IV pp.9-41. See also the chapter on Rent in his Principles of Political Economy and Taxation, (London, 1st ed., 1817 2nd ed., 1819; 3rd ed., 1821) in Sraffa ed. Works Vol I. All references are to the 1821 edition unless otherwise stated.
- (4) See Buchanan, D.H., "The Historical Approach to Rent and Price Theory", Economica, 1929, pp123 - 153; Burt Jr., E.J., Social Perspectives in the History of Economic Theory. (London St. James Press, 1972) Chapter IV, pp78- 80 esp; Blaug, op.cit., p77.

As Ricardo notes: "Corn being one of the chief articles on which the wages of labour are expended, its value to a great extent regulates wages - and there is no other way of keeping profits up but by keeping wages down".<sup>1</sup> Since profits are dependent on wages, the lower the wages the higher the return to profit, and the better off the business sector.

It is against this background that the pamphlets on rent were composed. Their central concern was to elucidate the principles regulating the high price of corn, and to illuminate the relationship between that high price and distributive shares, that is, to focus on the issue of how distributive shares (especially rent) were determined. The classical economists were not interested, therefore, in the proprietary grounds of the title to factorial income, simply in the question of how the rate of such income was regulated, taking as data the prevailing pattern of property distribution. For the issue of rent and land, this means that there is no analysis of the origins of property in land, rather a straightforward concentration on the "technical" aspect of rent determination. Theirs is, as it were, an empirical explanation of the rate of rent, not a justificatory explanation of the title to rent.<sup>2</sup> One possible reason for this disregard of the origins of rent, and the question of the ownership of land is that such a discussion might have led the classical economists to the recognition that rent is a social, not a natural phenomena. In other words, if the classical economists had actually embarked upon a study of the origins of rent, they would have discovered that rent emerges as a consequence of appropriation, and that the rate of rental payment is at least partly regulated by this ownership factor. That is, rent is (in part) a monopoly return and as such,

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(1) Ricardo, David, Protection to Agriculture

(2) W. Stark makes a distinction between the "technical" and "social" aspects of Smithian value theory, claiming that Ricardo concentrated on the "technical" (or descriptive) aspect, whilst Hodgskin undertook to develop the "social" (or prescriptive) aspect. Cf. Stark, W., The Ideal Foundations of Economic Thought, (London, Kegan Paul, Trench Trubner, and Co., Ltd., 1943), pp.68-70.

price-determined. Avoidance of the social aspect of rent theory allows the Ricardians et.al., to view rent exclusively as a function of differences in fertility and location, and as such as a price-determined surplus, originating with the advent of diminishing returns to agriculture.<sup>1</sup>

It will be the aim of this section, therefore, to concentrate upon the evolution of the differential theory of rent as espoused by Ricardo, McCulloch and Mill, noting the initial formulation of that theory by Malthus, and with occasional reference to the work of Sir Edward West. We begin with an analysis of the question of how rental shares are calculated.

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(1) Malthus occasionally views rent as price-determining.

(ii) The Determination of Rent: The Question of Differential Fertility

According to Malthus, from whom many of the ideas embodied in the Ricardian theory of rent were derived, rent was defined as:

that portion of the value of the whole produce which remains to the owner of the land, after all the outgoings belonging to its cultivation of whatever kind have been paid, including the profits of the capital employed, estimated according to the usual and ordinary rate of the profits of agricultural stock at the time.

It constituted, as it were, a surplus above ordinary costs of production. Adopting a slightly qualified version of this definition, the Ricardians, following Malthus, set out to establish the reasons for the emergence of this surplus.<sup>2</sup> Why was it, they inquired, that the price of raw produce was so in excess of cost of production as to yield a surplus in the form of rent.

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(1) Malthus, Inquiry, p179; Principles of Pol.Ec., p134

(2) The Ricardians qualified the definition by noting that rent was paid only for "the use of the original and indestructible powers of the soil". cf. (eg) Ricardo, Principles p67. The implications of the qualification are examined below.

In other words:

"If the price of every other commodity depends," McCulloch asks, "upon what is necessary for replacing with the ordinary profits the capital expended in its production, and if competition will not suffer it for any length of time to exceed this limit, why does not competition also keep down the price of raw produce to what is sufficient for replacing the capital and affording the ordinary profits?"

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What was so special about raw produce that a surplus above the ordinary rate of profit could accrue, in the form of rent?

According to Malthus, three factors were identified as significant in the determination of both the high price of raw produce, and rent, namely:

First and mainly. That quality of the earth by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land.

Secondly. That quantity peculiar to the necessaries of life of being able to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced.

And, thirdly. The comparative scarcity of the most fertile land.

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- (1) McCulloch, (ed.), Wealth of Nations, 1828, Vol.4, p.101. (My emphasis) Cf., Wealth, 1850, p.444.
- (2) Inquiry, pp.184-5, Cf., Malthus, Principles of Pol.Ec., pp.139-40, here Malthus amends the second cause to "That quantity peculiar to the necessaries of life when properly distributed, to create their own demand" (my emphasis), and the third to: "the comparative scarcity of fertile land, either natural or artificial", whilst the first cause remains unaltered.

Of these three the first cause, the idea that the aggregate produce of the soil is capable of exceeding the subsistence requirements of those employed upon the land, is regarded as the most influential in rent determination. However the statement is, of itself, ambiguous. It may, as George Stigler claims, simply constitute a "clumsy statement that land must be productive";<sup>1</sup> alternatively, Malthus may have intended simply to demonstrate that the continuous payment of rent (from the farmer to the landlord) was conditional upon the capacity of the soil to generate this excess, with the unwritten assumption that once the land can only support those labouring upon it, rent will no longer be paid. Whichever connotation Malthus himself favoured, it is Ricardo's interpretation of this first cause that is of particular note.

In contradistinction to Malthus, Ricardo and his followers based their elucidation of rent determination exclusively upon the third of Malthus' factors, outlined above, namely the notion of differential fertility. The second cause, or the notion that the necessities of life can never be overproduced since they are able to generate their own demand<sup>2</sup>, is largely ignored, though some substantive

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(1) Stigler, G.J. "The Ricardian Theory of Value and Distribution" in Essays in the History of Economics, (Chicago, Chicago UP., 1965) p180

(2) Malthus regards the nature of the demand for those articles necessary to life as intrinsically different to the demand for all other goods. With regard to articles other than subsistence goods, a high price is generated only when the demand for goods is in excess of the supply. Here, presumably, production of the desired goods will increase in order to accommodate supply. Whereas, in relation to subsistence goods, the existence and increase of the demand, or number of demanders depends upon the existence and increase of those necessities per se; the excess of price over cost contingent upon, and limited by the excess of their quantity above the quantity required to maintain the labour required to produce them. Inquiry, pp.185-191, Principles of Pol.Ec., pp147-149.

input into the differential thesis does, of course, emanate from the Malthusian concept that population is (everywhere) continually pressing against the means of subsistence, the concept underlying the second cause. However, vis-à-vis the first cause, Ricardo objects that it renders rent proportionate to the "absolute fertility of the land in cultivation", such that any increase in the fertility of the soil would necessarily entail an increase in rent, whilst any diminution in that fertility would necessarily entail a reduction in rent.<sup>1</sup> According to Ricardo, however, it is the "relative fertility" of the soil under cultivation that is of significance, leading him to exclaim that:

It does not appear then, that Mr. Malthus's proposition is correct: rent does not immediately and necessarily rise or fall with the increased or diminished fertility of the land but its increased fertility renders it capable of paying at some future time an augmented rent, [should recourse to its cultivation become necessary.]

The absolute fertility of the soil is significant in the Ricardian theory only to the extent that it refers to the capacity of land to sustain a greater rent at some future point in time. Absolute fertility at a particular point in time, is, however, quite irrelevant to Ricardo's thesis.

In addition to Ricardo's disagreement with the implications of the first cause of high price, and rent, outlined above, he also argues, in a letter to Malthus, that "your first and third causes of high price appear to me to be directly at variance with each other. The first is the fertility of land, the third is the scarcity of fertile land".<sup>3</sup> In Ricardo's view, therefore, Malthus is claiming both that it is the very fertility of land that generates rent, and that also it is the very lack of fertile land that generates the same rent. If Ricardo's view is

(1) Ricardo, Principles, p.403 (My emphasis)

(2) Ibid., p.404.

(3) Ricardo to Malthus, Jan. 24, 1817; Sraffa, ed., Works, Vol.VIII, pp.119-20.

correct, then Malthus is openly contradicting himself, and so Ricardo sets out to show that rent is a function, not of absolute fertility, but of differential fertility, that is of the difference in productive power of different quality lands. The rest of this section will focus, therefore, upon the differential thesis developed by Ricardo, James Mill and McCulloch.

"If all land had the same properties," Ricardo argues, "if it were unlimited in quantity, and uniform in quality, no charge could be made for its use, unless where it possessed peculiar advantages of situation. It is only, then, because land is not unlimited in quantity and uniform in quality, and because in the progress of population, land of an inferior quality or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it."<sup>1</sup>

Earlier we observed that the Ricardians whilst largely employing the definition of rent advanced by Malthus subjected it to one qualification, namely, that rent was not paid for the use of land ipso facto, but for the use of the "original and indestructible powers of the soil".<sup>2</sup> Thus rent, Ricardo claimed, could be contradistinguished from the profit accruing to the landlord on account of the capital previously invested in the soil. McCulloch and Mill, following Ricardo, also distinguish between rent as

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(1) Ricardo, Principles, p70. cf., Mill, Elements, p29 e.g.

(2) Ricardo, Principles, p67. cf., Essay on Profits, p18n., "By rent I always mean the remuneration given to the landlord for the use of the original and inherent power of the land".

payment for natural fertility, and those returns on capital expenditure,<sup>1</sup> with McCulloch noting that payments for "pure" rent often constitute only a small part of the total return earned on the land:

Even in the best farms the payment on account of houses, fences, and roads are usually far from being an inconsiderable portion of the rent; while the rent of such naturally inferior farms as have been highly improved, consists almost entirely of the profit of the outlay upon them. 2

Malthus, in his Principles of Political Economy, however, adds what may be seen as a disclaimer to this assertion, when he notes that rent is determined (in part) by "the comparative scarcity of fertile land, either natural or artificial". 3

The consequences of this distinction between the natural and inherent powers of the soil, and changes in the productivity of the land due to capital investment are problematic in terms of rent determination, and the ascription of the benefits of capital investment. For example, the first occupant of a portion of land may decide to invest capital in the land thus enhancing the natural and original powers of that land. At this stage the distinction between the natural attributes of the soil, and the artificial (capital-invested) attributes may still be obvious, in which case the landlord-farmer would receive both rental and profit payments.

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(1) See Mill, James, Elements of Political Economy, (ed.3., 1844 version) p31; he distinguishes between "payments for the power of the soil", and payment for the "capital bestowed upon the soil". See also McCulloch, J.R. "Ricardo's Political Economy", Edinburgh Review, vol XXX, June 1818, p73, and "Political Economy", EB8, p247.

(2) "Political Economy", EB8, p247.

(3) Malthus, Principles of Political Economy, 1820, pp139-40 (my emphasis). The Inquiry has "the comparative scarcity of the most fertile land", pp184-5.

However, should that land become vacant, and another farmer occupy it, a problem arises concerning the "natural" state of the soil for this second occupant. Is that "natural" state defined as the state in which he finds the soil - that is, a state reflecting the compound of natural powers and capital effects? Or, is that state defined according to the conditions under which the initial occupancy took place, which requires the assumption that it is possible, somehow, to differentiate between the influence of capital investment, and the original powers connate in the soil? Clearly, whichever solution is favoured has implications for the type of remuneration accruing to the landlord-farmer.

Ricardo, obviously perturbed by this vexatious question, observes in a footnote to Chapter XVIII, on the topic of the "Poor Rates", that his earlier differentiation between natural and capital-based powers "did not sufficiently distinguish the difference which would arise from the different modes in which this capital might be applied".<sup>1</sup>

As a part of this capital, when once expended in the improvement of a farm is inseparably amalgamated with the land, and tends to increase its productive powers, the remuneration paid to the landlord for its use is strictly of the nature of rent, and is subject to all the laws of rent... Some of these expenses [of improvement], however, only give advantages to the land for a limited period, and do not add permanently to its productive powers: being bestowed on buildings and other perishable improvements, they require to be constantly renewed, and therefore, do not obtain for the landlord any permanent addition to his real rent.<sup>2</sup>

Agricultural rent,<sup>3</sup> it seems, may be paid also for those species of capital expenditure indissolubly connected with the natural powers of the soil, but not for those species of capital which do not permanently enhance land productivity.

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- (1) Principles, pp. 261-2. Mill and McCulloch, per contra, make the original distinction, but adhere to it without qualification.
- (2) ibid., p. 262
- (3) As Buchanan notes, these writers are concerned uniquely with agricultural rent, art. cit., p. 139.

We have seen that the "fertility" of the soil is inextricably linked with the question of rent. The question we are now concerned with is, how? Why should the fact that land is not "unlimited in quantity, and uniform in quality" lead to the generation of rent?

At the time of the first settlement of a country, there exists, Ricardo et al. argued, a profusion of as yet largely unappropriated, rich and fertile land, the cultivation of only a small proportion of which is sufficient to maintain the current population. Rent is, therefore, non-existent. "For no one would pay for the use of land, when there was an abundant quantity not yet appropriated, and, therefore, at the disposal of whosoever might choose to cultivate it".<sup>1</sup> At this stage wages and profits are normally extraordinarily high.<sup>2</sup> Thus, whilst supplies of such land are inexhaustible (admittedly within finite terms) and at every man's disposal, no charge is made for their usage. This suggests two points about the "Ricardian" theory of rent: firstly, that rent is in part a payment for scarcity - namely, the scarcity of fertile land. and, secondly, that it arises in part because that land is privately owned.

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- (1) Ricardo, Principles, p.69. Cf., McCulloch, 'Political Economy', EB6, p.259, EB7, p.291, EB8, p.244; Principles of Political Economy ed.1., 1825, pp.142-3 & 146; Malthus Inquiry, p.191, Principles of Political Ec., pp.150-151; and Mill, Elements p.31, "So long as land produces nothing, it is not worth appropriating".
- (2) Malthus wrote, "in the early periods of society, this surplus produce, this bountiful gift of Providence, shows itself chiefly in extraordinary high profits, and extraordinary high wages and appears but little in the shape of rent", Inquiry, p.191.

Once all the best<sup>1</sup> lands have been cultivated, the inexorable tendency of population to grow and to lead to an increased demand for food, necessitates recourse to the next grade of land.<sup>2</sup>

When in the progress of society, land of the second degree of fertility is taken into cultivation rent immediately commences on that of the first quality, and the amount of rent will depend on the difference in the quality of these two portions of land. 3

This incapacity of the lands under cultivation to furnish sufficient raw produce to accommodate the ever increasing demand of food of a perpetually expanding population obliges recourse to land of worse quality, and leads to an increase of rent on all the more fertile land. Thus, the "rent of the higher qualities would plainly be equal to the difference, or the value of the difference between their produce and the produce of the worst quality under cultivation." 4

The assumption here is that the "dose" of capital<sup>5</sup> remains constant, and the fertility of the land varies; thus rent is the difference in yield per acre.<sup>6</sup> Qualitative difference in land, that is, the scarcity

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- (1) That is, the most fertile, and optimally situated. The question of location will be considered shortly.
  - (2) Here we are considering the extension of cultivation only, and the existence of rent due to differential fertility.
  - (3) Ricardo, Principles, p.70.
  - (4) McCulloch, "Political Economy", EB6, p.259.
  - (5) Mill's term. See Elements, pp.30ff, passim. Sometimes reference is made to capital alone, sometimes to the combined input of labour and capital.
  - (6) Or some similar quantity of land.

of the most fertile land - gives rise, therefore, to differential rents.

As Ricardo shows,

suppose land - No. 1,2,3, - to yield with an equal employment of capital and labour, a net produce of 100, 90, and 80 quarters of corn. In a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No.1, the whole net produce will belong to the cultivator. As soon as population had so far increased as to make it necessary to cultivate No.2 from which ninety quarters only can be obtained after supporting the labourers, rent would commence on No.1; For either there must be two rates of profit on agricultural capital, or ten quarters, or the value of ten quarters must be withdrawn from the produce of No.1, for some other purpose . 1

Thus the cultivator of No 2 gets the same result with his capital whether he cultivates no.1, paying ten quarters of corn for rent, or continues to cultivate No. 2, paying no rent. The underlying assumption being that competition equalizes the return on capital, ensuring a uniform rate of profit throughout the economy. Rent is, as we shall see below, not a new creation of revenue, simply the transference of a portion of that revenue previously created - namely profit.

The Ricardians, Malthus, and West also envisaged another scenario for the emergence of rent - namely, the problem of diminishing returns arising from the successive application of a constant dose of capital and labour to land already under cultivation, defined by West as the principle that "in the progress of the improvement of cultivation the raising of rude produce becomes progressively more expensive"<sup>2</sup>, or in other words ,

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(1) Principles, P71

(2) Sir Edward West, Essay on the Application of Capital, p9

that,

In the progress of improvements an equal quantity of work extracts from the soil a gradually diminishing return; and that, therefore, the whole quantity of work bestowed on land in the progress of improvement extracts from the soil a gradually diminishing proportionate return. 1

Let us suppose again, that instead of cultivating land of the second quality, it is more advisable to apply a second dose of capital to land of the first quality; and that, while the first dose produces ten quarters, the second of equal amount, will produce only eight quarters. 2

Rent is, therefore, "the difference, or the value of the difference, between the produce obtained from the capital first applied to the land, and that which is last applied to it"<sup>3</sup>, or in other words, the difference between the product of all capital-and-labour and the product of the final dose at the intensive margin. 4

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- (1) ibid., p15. Although West acknowledges that diminishing returns may be due to the extension of cultivation to less fertile soils, he tends to emphasize the diminution of returns caused by the intensification of cultivation. Thus he wrote, "that every additional quantity of capital laid out produces a less proportionate return, and consequently, the larger the capital expended, the less the ratio of the profit to that capital" p10. West was also the most rigid adherent of the idea that technological improvements would not, and could not abate the tendency for agriculture to yield a diminished return. See Essay, pp19-20, and Blaug, op.cit., p77.
- (2) Mill, Elements p32. See (eg) Ricardo, Principles pp71ff, and Malthus, who notes the "decreasing proportion of produce which must necessarily be obtained from the continual additions of capital applied to land already in cultivation". A Summary View of Population, 1830 (Reprinted by Penguin Books, Harmondsworth, 1970, - 1979 repr.) p225.
- (3) McCulloch, Principles of Political Economy, 1825, p-272 (original emphasis). Mill notes that rent comprises "the difference between the return made to the more productive portions, and that made to the least productive portion, of capital employed on the land", Elements p-33
- (4) Blaug, op.cit., p82.

Thus, the quality of the land within each category is assumed to be homogeneous, and the productivity of capital variable.<sup>1</sup>

"It follows that rent increases", Mill asserts, "in proportion as the productive power of the capital, successively bestowed upon the land, decreases".<sup>2</sup>

Classical economic rent theory as outlined here, concentrates on both an extensive, and an intensive margin in explaining the emergence of rent - the former viewing rent as a function of the decreasing fertility of the soil husbanded; the second, regarding it as a function of the diminished productivity of the capital-labour "doses" applied to units of homogeneous land. It is, as it were, the market requirement of an equalization on the return to capital that generates rent.

If then, good land existed in a quantity much more abundant than the production of food for an increasing population required, or if capital could be indefinitely employed without a diminished return on the old land, there could be no rise of rent; for rent invariably proceeds from the employment of an additional quantity of labour with a proportionally less return.

3

Ricardo assumed that it is the most fertile land that is initially cultivated.<sup>4</sup> The value in exchange of its produce, like that of all other

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- (1) To obtain the same produce with the last capital applied, as was obtained with the first, would require that the last portion of capital was greater in quantity than the former. The Ricardians usually keep the quantity of capital constant.
- (2) Mill, Elements, pp.32-33.
- (3) Ricardo, Principles, p.72.
- (4) The objection levelled at this thesis by Carey, and countered by McCulloch, will be dealt with shortly.

commodities, is determined by the total quantity of labour necessary to its production. When land of inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, given the augmentation in the quantity of labour requisite to production.

The exchangeable value of all commodities... is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities. 1

In other words, the exchangeable value of commodities is determined by those producing under the "most unfavourable circumstances", the most unfavourable that is, "under which the quantity of produce required, renders it necessary to carry on production",<sup>2</sup> assuming always that the ordinary rate of profit is earned on such an endeavour.

Clearly this scenario is peculiarly agricultural. In agriculture, where a variety of productive conditions prevail, rather than competition force the agriculturist working under the worst conditions out of the market, as it would in manufacturing, assuming that the rate of profit earned on his enterprise is less than that earned by others,<sup>3</sup> rent becomes a device for levelling the profit rate, and for ensuring that sufficient capital is retained in agricultural production to provide

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(1) Ricardo, Principles, p73. Cf. McCulloch, "Political Economy" EB6, p259, EB7 p291, EB8, p244; ed. Wealth of Nations, 1828, pp-101-4; Principles of Political Economy, 1825, p142.

(2) ibid., p73

(3) The premiss is that a uniform rate of profit operates throughout the economy. Any industry earning greater than average profits will tend to attract capital, whilst any earning less than average will tend to lose capital to more profitable exploits, thus effecting an equalisation on the return to capital throughout the economy. Cf. Malthus, Inquiry, p206 and Principles of Pol.Ec., pp.206-8, where he compares the diminishing returns yielded in agriculture with the increasing returns brought forth in manufacturing, due to the utilisation in agriculture of the best 'machines' first, and worst later, compared with the use in manufacturing of successively more efficient and productive machines. Cf. McCulloch, Principles of Political Economy, 1825, p148, and "Political Economy", EB6, pp261-2 (eg) for a similar treatment.

enough food for the population. What was previously profit becomes rent. "Rent then is in all cases a portion of the profits previously obtained on the land. It is never a new creation of revenue." <sup>1</sup>

Malthus adopts a similar stance, though noting that rent is, in the first instance at least, actually a "transfer from profits and wages", since the extraordinarily high rate of remuneration of each, typical of the beginnings of society, cannot continue once recourse to inferior grades of land is necessitated by population increase and the increased demand for food. <sup>2</sup>

As soon as it is necessary to apply capital to land of an inferior quality, or upon the same land to apply a further dose of capital with an inferior return, all that is yielded, more than this inferior return, is as if it did not exist, with respect to the capitalist and the labourer. <sup>3</sup>

Rent is, therefore, a transfer payment. The advantages of fertile over inferior lands are not lost, "but only transferred from the cultivator, or consumer, to the landlord". <sup>4</sup>

The exchangeable value of corn is determined by the marginal costs of its production. It is, as it were, extraneous to those costs. "Corn is

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- (1) Ricardo, Essay on Profits, p18. Malthus disputes this second point.
  - (2) Malthus, Principles of Pol.Ec., pp.151-2. Presumably, once wages are remunerated at their minimum rate, rent can only be viewed as a transfer of profit.
  - (3) Mill, Elements, p.68
  - (4) Ricardo, Principles, p74

not high because a rent is paid, but a rent is paid because corn is high".<sup>1</sup> Rent is price-determined, not price-determining. Were landlords to relinquish their rights to rent, or were those rents remitted from landlord to tenant,<sup>2</sup> the price of agricultural produce and the rate of profit would continue unimpeded - because the marginal cost of producing corn is unaffected by the payment of rent, and is shared out only between capital and labour.

Whatever is yielded beyond this lowest return, either on particular spots of ground or to particular portions of capital, might be annihilated, the moment it is produced, without affecting the portion which goes to either of those two classes. 3

The emergence of rent is always the effect of increasing wealth, and of the enhanced difficulty of procuring the means of subsistence for an increased population. "It is a symptom but, it is never a cause of wealth".<sup>4</sup>

One important facet of the Malthus - West - Ricardo model of rent is the assumption that land is a factor of production with no competing uses: it is a completely specialised factor. Thus, it was assumed that should the demand for raw produce diminish as society progresses, for whatever reason, or that technological developments in agriculture can ensure that only top grade lands need be cultivated, "land of a less unproductive quality will be in succession relinquished".<sup>5</sup> The land

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(1) Ibid., p.74. This view is echoed by McCulloch in the same terminology, in the Principles of Political Economy, 1825, p.144.

(2) Blaug, op cit., p.82.

(3) Mill, Elements, p.68.

(4) Ricardo, Principles, p.77. Cf. Malthus, Principles of Pol.Economy, pp.160-178.

(5) Ricardo, Principles, p.78. Sraffa notes that this should probably read "land of a less and less unproductive quality", since this is the sense intimated.

of society is, then, as Buchanan indicates,<sup>1</sup> taken up freely whenever it is required, and is taken, not away from any other rent-paying uses, but from non-paying idleness. Land, it seems, never shifts between alternative uses<sup>2</sup> - though labour and capital might. In this way the existence of the extensive margin is explained.<sup>3</sup> If recourse is necessary to inferior grade lands, those lands will be readily available for cultivation.

In addition the differential theory of rent assumes that the supply of land is fixed; and that the rent is agricultural rent, more specifically, rent for the "raw produce" of agriculture in toto, and not particular products individually.<sup>4</sup>

The theory of rent developed by Ricardo was subject to a number of criticisms - that it ignored, for instance, the question of the non-existence of rent-free land, or that it failed to recognise that land was not the specialised factor the Ricardians assumed it to be, all of which criticisms McCulloch endeavoured to refute. It is, thus, to McCulloch's attempted refutations that we now turn.

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(1) Buchanan, art.cit., p143.

(2) cf. Smith, WN.T.vii. 13,14.

(3) Blaug, op.cit., p81.

(4) cf. Buchanan, art.cit., pp.140-143, Blaug op.cit., p81.

(iii) McCulloch - Defender of the Faith?

As we saw in the last chapter, McCulloch occasionally took it upon himself to defend what he conceived to be Ricardian orthodoxy against the strictures of his contemporaries, and the theory of rent proved to be no exception. For here too McCulloch endeavoured to defend the views of his mentor against the objections levelled at his thesis.

The first such objection tackled by McCulloch concerns the problem of the purported existence of no rent-free land,<sup>1</sup> a factor which was seen to undermine the Ricardian claim that rent was a surplus above costs of production at the margin of cultivation.

It has been said that... the worst land in every civilized and appropriated country, like England, always yields some small rent to the proprietor, and that, therefore, it cannot be said that the price of produce is, in such countries, determined by the cost of raising it on that quality of land which pays no rent.

2

McCulloch evinces three arguments to confute this claim. Firstly, he adduces the argument developed by Mill in the Elements, that the rent paid on some lands is so negligible as to not seriously affect the proposition established.<sup>3</sup> Secondly, and again following Mill, he notes

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(1) James Mill also subjects this problem to brief analysis in the Elements, see pp.34. ff.

(2) "Political Economy", EB8, p292.

(3) cf. Mill, Elements, p35; and McCulloch, "Political Economy" EB6, p260 for example.

that land is normally let in large tracts, some portions of which might not yield rent:

The poorest lands are always let in immense tracts. If it were attempted to let particular portions of these tracts separately, they would bring no rent whatever; but they appear to yield rent, because rent is paid not for them, but for the most fertile spots intermixed with them. 1

And finally, McCulloch notes that,

It is not essential to the theory of rent, that there should be no land for which some rent is not paid. What the theory requires is, that of the whole capital employed in agriculture, there should always be one portion which yields no rent; one portion which barely replaces itself, with the ordinary profits of stock. 2

Thus, provided there is capital which does not yield rent, McCulloch argues, Ricardo's theory is safe from objection, for rent is still determined by the costs of producing corn under the worst possible conditions. What McCulloch has done, of course, is to shift the argument away from the extensive margin to the intensive margin.

The second objection of note which McCulloch endeavoured to refute was that advanced by Henry Carey, namely the assertion that land, in a young country, is actually taken up in inverse order of its fertility.<sup>3</sup>

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- (1) McCulloch, "Political Economy, EB6, p260. cf Mill, Elements pp36-7, "When it is asserted that every part of the mountains of Scotland pays rent, the state of the facts is misunderstood. It is only true that there is no tenant of any portion of any man's estate in the highlands of Scotland, who does not pay rent."
- (2) McCulloch, ed., Wealth, 1828, vol IV, p113, Cf Ricardo to McCulloch, Jan 3, 1819, Sraffa ed., Works, vol VIII, p1-4, cited in O'Brien, op.cit., p399n.
- (3) Carey's thesis was also subject to criticism by J.S. Mill in his Principles of Political Economy, 1848, Book I, chapter 12, section 3.

Light and sandy soils, it is said, are usually first cultivated while the clay and alluvial soils, though ultimately by far the most productive, require greater outlays of capital to bring them into cultivation than can be spared in the early stages of agriculture. 1

As interpreted by McCulloch, Carey's assumption is based on the premiss that "fertility" is a peculiar attribute of lands on which the greatest quantity of produce may be raised irrespective of expenditure. What is required by the differential rent theorem is fertility be conceived not in the sense of "the greatest quantity of produce, but the greatest compared with expenses of cultivation";<sup>2</sup> that is relative, as opposed to absolute fertility.

When it is said that superior lands are the first to be brought into cultivation, that... statement is not made absolutely, but with reference to the capacities of the cultivators. Lands endowed with a high degree of natural fertility are often, in thinly-peopled countries, either heavily timbered or so very wet as to be totally unfit for tillage; and wherever this is the case, cultivation is confined at first to open, dry, or down lands. The latter are, in fact, the most fertile which it is in the power of the inhabitants to cultivate. 3

Once population has been increased, and capital been accumulated, these neglected lands will in all probability be cleared, and once under cultivation may, in fact, yield "a greater amount of produce per acre"<sup>4</sup>. This does not, however, make them more fertile. Fertility, it appears, is a function of capital expenditure.

McCulloch's argument makes fertility time-dependent. That is, it is

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(1) McCulloch ed., Wealth, 1850, p449, Cf. also, Wealth, 1828, vol IV, pp114-5; Principles of Political Economy, ed 5, 1864, pp416-7; "Political Economy", EBB, pp245-6

(2) McCulloch, (ed.), Wealth, 1850, n. 440

(3) "Political Economy", EBB, pp245-6

(4) ibid., p246.

the return on capital at a particular point in time that reflects or measures the fertility of the soil, whereas according to Carey, fertility is conceived as a flow. So land that is initially the most productive may, in fact, not be ultimately the most productive, and should, as such, not be presented as the most "fertile" land at all. The "light and sandy soils" which yield most on first cultivation are not, in the long run, as productive as the "clay and alluvial" soils which require greater initial investment. In this sense, McCulloch's conception of fertility seems to be more closely linked with the question of comparative capital investment than with the issue of fertility as a natural, though potentially variable quality inherent in the soil. McCulloch is adopting, here, a stance slightly at variance with Ricardian orthodoxy. Ricardo endeavoured, on the whole, to limit rent to the payment for the use of the land's "natural" attributes, though recognizing that posterior to capital expenditure the productiveness of the land became a function of both its natural powers and the capital previously invested in it, such that land which yielded 10 quarters of corn per acre in its natural state, prior to the expenditure of capital, might yield 15 quarters of corn after that expenditure.<sup>1</sup> Whereas McCulloch is interested, in a sense, in how to get all grades of land to yield 15 quarters of corn, noting that the one that requires the least capital outlay now is the most fertile. He is, as such, less interested in previous capital investment, than in current outlay.

Not only does McCulloch modify the conception of fertility required by the Ricardian system, but he also makes other slight changes in factors capable of influencing rent determination, such as his claims

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(1) The example is mine.

that (i) location affects rent in the same way as differential fertility.

Difference in proximity to the market is a source of rent precisely analogous to difference in fertility. When the produce of different lands is sold in the same market, and consequently, at the same price, the land which is nearest to the market and pays least for carriage enjoys the same sort of advantage over the others as if it were more fertile. 1

And that (ii) transport costs are equivalent to an overall reduction in fertility for a region distant from market<sup>2</sup>; thus:

As vicinity to a town is always a cause of rent, so vicinity to a road or a navigable river or canal, by diminishing the expense of transporting the produce to some great market, may have a similar operation. 3

Obviously neither location nor transport cost can be reduced to an argument from fertility, and if admitted into the Ricardian explanation of rent, render rent a function of overall cost of production, and not just differential fertility.

The final objection to the "Ricardian" theory of rent which McCulloch endeavoured to refute was the argument developed by Samuel Bailey to explain the differences in productive conditions of different categories of goods, relating to the "degree of competition" under which they are produced<sup>4</sup>.

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(1) McCulloch ed., Wealth of Nations, 1828, vol IV, pp109-110, cf, McCulloch ed., Wealth of Nations, 1850, pp447, and "Political Economy", EB8, p247.

(2) O'Brien, op.cit., p399.

(3) McCulloch, ed., Wealth of Nations, 1828, vol IV, p110.

(4) cf. Bailey, Samuel, A Critical Dissertation on the Nature, Measure, and Causes of Value, (London, 1825), pp.185-200.

When commodities such as corn produced under conditions of increasing costs, the low cost producers were conceived, by Bailey, as possessing monopolies

The owners of land of superior fertility enjoy a monopoly ... it is simply out of this monopoly-value that rent arises ... Rent proceeds, in fact, from the extraordinary profit which is obtained by the possession of an instrument of production, protected up to a certain point from competition.

2

The concept of rent has, it appears, been generalized by Bailey to cover the earnings of any factor that is limited in supply, and adaptable to only one use.<sup>3</sup> Rent has, therefore, nothing to do with differences in the fertility of land, and is, as Blaug points out in Ricardian Economics, perfectly analogous to the "extraordinary remuneration which an artisan of more than common dexterity obtains beyond the wages given to the workmen of ordinary skill".<sup>4</sup>

Bailey's objection to the Ricardian theory of rent is, therefore, that since the value of corn raised on lands yielding rent is not, after the commencement of cultivation on lower grade lands, proportioned to the cost of production, it is allegedly misguided to represent the value of the aggregate quantity of produce raised as dependent upon that principle.<sup>5</sup>

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(1) Bailey, op cit., p.193.

(2) Ibid., pp. 195-6.

(3) Bailey specifically chooses the term "instrument of production" not land. Cf Rauner, R.M., Samuel Bailey and the Classical Theory of Value, (London, 1961), p.68.

(4) Blaug, Ricardian Economics, p.55, citing Bailey, op cit., p.197.

(5) Rauner, op cit., pp.109-110.

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(5) Rauner, op cit., pp.109-110.

McCulloch acknowledges Bailey's point but contends that, according to Ricardo, the claim that value is determined by the cost of production applies only to goods produced at the margin of production. That value depends upon cost of production does not mean that the value of

Every particular hat or bushel of corn or other article offered for sale is determined by the quantity of labour actually expended on its production. What is really meant is, that the value of all the hats, as of all the corn required for its supply of the market, is determined by the quantity of labour required to produce that hat, or that bushel of corn, which has been produced with the greatest difficulty.

1

On the assumption that production is homogeneous, it could be claimed that the produce yielded by the last land cultivated represents the entire class of such products. Unless this no-rent cost is met, the supply of corn would be less than its demand, in which case cultivation would again be extended to meet the demand.<sup>2</sup> The cost at the margin represents, therefore, the determining cost, and rent is explicable as price-determined (not price-determining), subject to a distributive theory distinct from that of other factors.

It was, as we have seen in the previous sub-sections, the contention of the Ricardian classical economists that rent increased in the progress of society, as recourse was had to the cultivation of land of decreasing degrees of fertility. It will be our aim in the final part of this section to consider the relationship between technological advance and rental progress.

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(1) Principles of Political Economy, ed 1, 1825, p152.

(2) Rauner, op.cit., pp109-110

(iv) The Effect of Improvements Upon Rent

The only time that the Ricardians actually consider the "social" implications of rental payments is in their discussion of the effects of improvements in agricultural technique upon the payment of rent, and on the interests of the landlord.

In the Essay on Profits, Ricardo had declared that "the interest of the landlord is always opposed to the interest of every other class in the community",<sup>1</sup> counselling that:

If the interests of the landlord be of sufficient consequence, to determine us not to avail ourselves of all the benefits which would follow from importing corn at a cheap price, they should also influence us in rejecting all improvements in agriculture, and the implements of husbandry ...

2

The assumption that is being made is that anything which raises the price of corn automatically and necessarily benefits the landlord. So in the progress of society the increasing difficulty of acquiring sufficient food to support the ever burgeoning population, requiring as it does an increase in the marginal cost of production,<sup>3</sup> and thereby occasioning an increase in rents, benefits the landlord in two ways: he receives both a greater proportion of the produce generated, as well as a greater value that is, the commodity in which he is paid is of greater value since its cost of production has increased.<sup>4</sup>

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(1) Essay on profits, p.21.

(2) Ibid., p.41.

(3) Due to either a shift in the extensive, or intensive margin.

(4) Principles, pp.83-4.

He will have more corn, and each defined measure of that corn will exchange for a greater quantity of all other goods which have not been raised in value.<sup>1</sup>

Anything which lowers the marginal cost of production will, therefore, tend to both reduce the quantity of produce received by the landlord, and also reduce the value of that produce, and is regarded, by Ricardo, as automatically contrary to the interests of the landlord.

Cost-cutting improvements in agriculture may, Ricardo asserts, be of two kinds: those increasing the productive powers of the land, as the more efficient rotation of crops, for example; or those generating improvements in machinery, enabling the farmer to obtain the same produce with less labour. The former increase the output from a given quantity of land- the latter the amount of labour necessary to produce a given product from a given quantity of land,<sup>2</sup> but both varieties of improvement, as a consequence, lower rent, and, as such, are "positively injurious" to the landlord. Such is Ricardo's view prior to the publication of the third edition of the Principles, in 1821.

Against this, Malthus argued, following Smith,<sup>3</sup> that, firstly, there was complete coincidence between the interest of the landlord and the state, and secondly, that both sets of interests are, in fact, served by improvements in agriculture.<sup>4</sup> Any improvement in agriculture, Malthus

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(1) Ibid., p.102. A comparison is made with the labourer who, in the progress of society, receives "greater money wages, but lower corn wages."

(2) See Stigler, op cit., pp.182-3. The former is identified as an upward shift in the marginal product curve of labour on land, whilst the latter represents a change in the shape of that curve.

(3) Cf., Smith, W.N.I. xi. p. 1-8.

(4) Malthus, Principles of Pol.Ec., pp.204-217.

proclaims, however sudden, cannot, in reality, prevent the implacable tendency of population to increase up to the additional means of subsistence. Indeed, improvements in agricultural productivity actually function as a spur to population increase, for, wherever improvements are found, "there is always an effective demand for ... labour", and where this occurs, population soon increases to such an extent that the additional produce acquired through agricultural advances, is no longer sufficient to support it.

Instead of land being thrown out of employment, more land is cultivated, owing to the cheapness of the instruments of cultivation, and under these circumstances rents must rise instead of fall ... I should further say, that not only have improvements in agriculture never lowered rents, but that they have been hitherto ... the main source of the increase of rents.

1

Malthus denies, therefore, that it is the increase in marginal costs of producing raw produce that generates an increase in rental payments, arguing to the contrary, that it is, in fact, to improvements in agriculture that rent increases may be ascribed.<sup>2</sup>

Although Malthus' argument is somewhat ambiguous, it was evidently persuasive enough to compel Ricardo to modify his position on the relationship between improvements in cultivation and the landed interest, for in edition three of the Principles, Ricardo differentiates between those short-term

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(1) Ibid., p.207. (Original emphasis).

(2) Ibid., p.208.

effects which positively disbenefit the landlord, and the more long-term effects of improvements which positively advantage him. So he notes in the Principles:

I hope I am not misunderstood as under-valuing the importance of all sorts of improvements in agriculture to landlords - their immediate effect is to lower rent; but as they give a great stimulus to population, and at the same time enable us to cultivate poorer lands, with less labour, they are ultimately of immense advantage to the landlord.

1

McCulloch, following Ricardo, also begins his career by proclaiming that the landlord is injured by cost-cutting developments in agricultural technique,<sup>2</sup> before conceding, as Ricardo was also compelled to concede, that "there is no such opposition between his interests and those of the rest of the community", in fact, improvements are "no less advantageous to the owners and occupiers of land than to others".<sup>3</sup> This latter claim, however, is qualified by the assumption that whilst outlay remains constant, improvements will be beneficial to the landlord only if they are accompanied by an expansion of demand. Without that, capital will be withdrawn from agriculture until supply and demand coincide.<sup>4</sup> In addition to this, McCulloch also assumes that even an improvement in agricultural technology with the capacity to disbenefit the landlord by reducing his rent, will not

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- (1) Ricardo, Principles, p.81n. Cf. Essay on Profits, p.19, where Ricardo, as Sraffa notes, mentions that the fall of rent would be temporary. Cf., also McCulloch, ed. Wealth, 1850, p.452. Improvements in agricultural technique normally follow rather than precede an increase in the price of of raw produce consequent upon a population increase.
- (2) Cf. McCulloch, ed., Wealth, 1828, Vol IV, pp.120-121; and ed., Wealth 1850, pp.450-2. Cf., O'Brien, op cit., pp.399-401.
- (3) McCulloch, ed., Wealth, 1850, p.450.
- (4) Ibid., p.451.

in fact so do, for the simple reason that:

... there is not a shadow of a ground for supposing that ... [it] can ever be so rapidly diffused as to produce this effect. <sup>1</sup>

Indeed, improvements usually spread so slowly and imperceptibly that they tend "not so much to occasion any actual reduction of prices as to prevent their rising to an oppressive height".<sup>2</sup>

Where Ricardo and Malthus base their consideration of the impact of agricultural advances on rental payments, upon the premise that all grades of land are equally affected by those improvements, McCulloch extends the discussion by considering the case of where such improvement would actually tend to disproportionately advantage the holders of the best grade lands.<sup>3</sup>

Prior to improvements in agricultural productivity, McCulloch surmises that the following quantities of corn would be yielded on the various grades of land:

A	B	C	D	E	Qualities of land. (Quantities of produce obtained with equal capitals.
100	90	80	70	60	
40	30	20	10	0	Rent. <sup>4</sup>

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(1) Ibid., p.452.

(2) Ibid., p.452. Cf.; O'Brien, op cit., p.401.

(3) McCulloch, ed., Wealth, 1850, pp.450-2; Cf., O'Brien, op cit., p.400.

(4) Ibid., p.450.

However, after any improvement affecting lands variably the scenario might, he proclaims be as follows:

A	B	C	D	E	Quantities of land
110	95	82½	70	60	{ Quantities of produce after improvement.
50	35	22½	10	0	

Provided that the price-determining margin did not contract, both the money and corn rents of proprietors A to C would augment, so as to permit them to reap the whole advantage due to the improvement.<sup>2</sup> Lands D and E would remain in the same position as before, though the extent of land under tillage of class E type might actually be reduced (though not taken out of production).<sup>3</sup>

This view suggests, then, that not all landlords are benefitted by improvements in agriculture. The owner of land D is in neither a better nor worse position than before, whilst the owner of land E (which remains in cultivation) is equally unaffected, although the owner of that portion of E-grade land which is thrown out of cultivation is, in fact, disadvantaged.

Rent, as we observed in the introduction, was normally the first aspect of the theory of distribution dealt with by the classical economists, leaving

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(1) Ibid., p.451

(2) O'Brien, op cit., p.400.

(3) Should E be thrown out of cultivation causing, thereby, a reduction in rents, the effect would be temporary, since the increased cheapness of corn would cause demand to expand sufficiently to necessitate the cultivation of E again. Wealth, 1850, p.451.

them free to deal with the problem of the dichotomy between wages and profit. In similar fashion, having treated rent first, we intend to turn our attention now to the theories of wages developed by the classical economists. These are first, on subsistence explanations of the natural wage-rate, and second, a wage-fund explanation of the market wage-rate.

Section 2 : The Classical Theory of Wages

Wages for the classical economists were conceived as "the remuneration to the labourer for his personal exertions",<sup>1</sup> that is, as "a compensation given to the labourer for the exertion of his physical powers, or of his skill, or ingenuity".<sup>2</sup>

Despite the multiplicity of choices suggested by Smith concerning the nature and origin of wages, these authors tended to focus on only two particular aspects - a subsistence theory of wages designed to explicate long-term trends in the wage-rate, and conceived as the natural price of labour, and a wage-fund hypothesis used to explicate short-term trends in the wage rate conceived as the market price of labour.<sup>3</sup> This said, however, it is still possible to detect occasional elements of those alternative explanations of wages offered by Smith - particularly traces of a productivity theory of wages, and a bargaining theory.

Before analysing both the subsistence theory of wages and the wage-fund theorem, it is important to note that one underlying assumption of classical wage theory was the view that the market established a differential wage structure which equalized the returns to all occupations.<sup>4</sup>

As Ricardo writes, "I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour, in one employment with the same duration of labour

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(1) Malthus, Principles of Pol.Ec., 1820, p.240.

(2) McCulloch, PPE, ed. 1, 1825, p.124.

(3) For some interesting remarks on the genesis of wage theory from Adam Smith, through J.S.Mill, to J.E.Cairnes, see O'Brien, The Classical Economists, pp.111-118.

(4) This derives from Smith. See WN.I.x.b.1-52.

in another".<sup>1</sup> The relation in which different qualities of labour are held is adjusted by the market -

Wages are not equal when each workman earns the same number of shillings or of pence in a given space of time, but when each is paid in proportion to the severity of the labour he has to perform, the degree of previous education and of skill that it requires, and the other causes of variation.

2

McCulloch's references to comparative severity, education and skill, are rough approximations to the five differential characteristics identified by Adam Smith, *viz.* the comparative agreeableness or disagreeableness of the employments; the expenses of training; the constancy or inconstancy of employment; the degree of trust reposed in the executors of the employments; and the possibility of success in those occupations.<sup>3</sup>

Malthus also adopts Smith's five circumstances, but explains them solely in terms of supply and demand. The cost of producing any kind of labour is roughly equivalent: the quantities of necessaries requisite to life, and reproduction of the optimum supply of labourers. Education costs are excluded from this calculation. Lawyers are comparatively ill-paid, despite expensive educations, because their supply exceeds demand. A coal-heaver, for example, may be better remunerated, because the disagreeableness of his employ deters people from entering, and thus supply is less than demand.<sup>4</sup>

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- (1) Ricardo, Principles, p.20. See Chapter 3, section 2 for further consideration of this aspect of Ricardo's thesis.
- (2) McCulloch, "Political Economy", EBB, p.240.
- (3) Smith, WN.I.x.b.1. See Chapter 2, section 3(i) above.
- (4) Malthus, Principles of Pol.Ec., 1820, pp.243-246.

The contention here is that the expense of acquiring a profession may limit the supply of any particular profession in the market, and thus cause it to be comparatively well-remunerated. It can only be assumed, therefore, that he was arguing that cost of education per se, does not comprise a reason for high wages except insofar as it is a cause of scarcity.

(i) The Natural Rate of Wages, or the Subsistence Wage Theory

Labour, for the classical economists, like all other useable commodities, has a natural and a market price, with the former normally determined by cost of production, and the latter by supply and demand. This section will concentrate on elucidating the former of these two concepts, viz. the natural price of labour, designed to illuminate long-run trends in the wage-rate.

This natural price was defined in a variety of ways: Ricardo offers an essentially static definition, arguing that the natural price of labour is "that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution".<sup>1</sup> The implication of this hypothesis is that, were labour to be remunerated according to its natural rate, population would be incapable of increase or diminution; suggesting that the dynamic element in the relationship between wage theory and population growth is provided by the deviations of the market rate of wages from the natural rate. Thus wherever the market rate of wages is in excess of the natural rate, population growth is encouraged.<sup>2</sup>

McCulloch's definition, though similar to Ricardo's, is supplemented

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- (1) Ricardo, Principles, p.93. James Mill focuses exclusively upon the comparative rates of growth of capital and population in his analysis of the determinants of the wage rate.
- (2) This point will be considered in more depth shortly. See Ricardo, Principles, p.94.

by a customary, or psychological dimension. The natural or necessary price of labour is such as to "enable the labourers to exist and continue their race according to the habits and customs prevailing in the countries to which they belong".<sup>1</sup> Ricardo also acknowledges this customary dimension,<sup>2</sup> but, as we shall see shortly, underplays its significance, whereas McCulloch is concerned to consider the implications of this psychological element.

Malthus' definition, in deliberate contradistinction from Ricardo's, is a more dynamic definition. Commenting on Ricardo's conception of natural price, Malthus notes that "this price I should really be disposed to call a most unnatural price", because in the natural course of things "that is, without great impediments to the progress of wealth and population, such a price could not generally occur for hundreds of years".<sup>3</sup>

The natural or necessary price of labour in any country I should define to be "that price, which, in the actual circumstances of the society, is necessary to occasion an average supply of labourers sufficient to meet the average demand."

4

Malthus' delineation of the concept of the natural price of labour is more circumstantially related than Ricardo's. Supply and demand are dislocated from their usual place in the market, and elevated into determinants of natural price.<sup>5</sup> Thus Malthus incorporates into his concept of natural price elements which for Ricardo affect market price. Consequently Malthus' definition of market price seems a little

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(1) McCulloch, ed., Wealth of Nations, 1850, Note on Wages, vol.IV, p.472.

(2) Ricardo, Principles, pp.96-97.

(3) Malthus, Principles of Pol.Ec., 1820, p.247.

(4) ibid., p.247 (my emphasis)

(5) Cost of production represents the determinant of natural price for the Ricardians.

superfluous: market price, for him, represents actual price, "which from temporary causes is sometimes above, and sometimes below, what is necessary to supply this average demand".<sup>1</sup>

Malthus, like Ricardo and McCulloch, also acknowledges the significance of habituation in the regulation of natural price.

The condition of the labouring classes of society must evidently depend, partly upon the rate at which the resources of the country and the demand for labour are increasing, and partly, on the habits of the people in respect to their food, clothing, and lodging.

2

Natural price appears, therefore, to be regulated by two circumstances: firstly, the cost of producing the basic requisites of the labourer's subsistence; and secondly, the customs of the people. This section will, accordingly, be divided into a sub-section covering cost of production, and a sub-section covering the psychological dimension.

(a) The Cost of Producing Labour

The power of the labourer to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences which become essential to him from habit, which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessaries and conveniences required for the support of the labourer and his family.

3

Or, as McCulloch expresses it, "the natural or necessary rate of wages must, therefore, be determined by the cost of producing the food and other articles which enter into the consumption of the labourers".

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- (1) Malthus, Principles of Pol.Ec., p.247-8.  
 (2) Malthus, Principles of Pol.Ec., p.248.  
 (3) Ricardo, Principles, p.93.  
 (4) McCulloch, PPE, ed.1, 1825, p.177.

Natural wages represent for these authors the minimum remuneration upon which the labourer can survive. Although market wages may sink to the level of natural wages, they cannot long remain below that level.

On the presupposition that wages are determined by supply and demand, in the progress of society, there would be an incontrovertible tendency for wages to fall, since population growth outpaces capital accumulation. However, wages are not exclusively regulated by the supply and demand of labour. They are, more importantly, determined by the prices of the goods on which they are expended. In the Essay on Profits Ricardo had confined such wage goods to the produce of agriculture. In the Principles, however, although still adjudging agricultural produce to form the principal part of the wage basket, he does acknowledge that wages are expended on other produce. This acknowledgement aside, however, he still tends to make the level of subsistence wages dependent upon the price of agricultural produce,<sup>1</sup> with scant allowance accorded the possibility that advances in manufacturing, by reducing the cost of production of the commodities generated therein, will affect the long-run trend on wages.<sup>2</sup>

Assuming the primacy of agricultural produce in the wage basket, the classical economists, adopting the Malthusian population principle, and the theory of diminishing marginal returns in agriculture, note that the cost of necessaries and conveniences tends to increase as society progresses. In consequence, the money wages of labour must

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(1) O'Brien, The Classical Economists, p.117; see also, Dobb, Theories of Value and Distribution since Adam Smith, pp.70-71.

(2) As O'Brien notes, the underlying assumption is that the wage-basket is fixed.

also rise in order to compensate for the increased cost of procuring such goods, or else the labourer would be eventually deprived of his subsistence. The same cause that raises rents appears, therefore, to raise wages; i.e. "the increasing difficulty of producing an additional quantity of food with the same proportional quantity of labour",<sup>1</sup> both of which, it seems, augment as society evolves. The comparison is, nevertheless, spurious. There is a fundamental distinction between the increase in rent and that of wages, namely, that rent increases in both monetary and real terms, whilst wages increase in monetary terms only.

Not only is the landlord's money rent greater, but his corn rent also; he will have more corn, and each defined measure of that corn will exchange for a greater quantity of all other goods which have not been raised in value. 2

The fate of the labourer is less happy, though receiving more money wages,

his corn wages will be reduced; and not only his command of corn, but his general condition will be deteriorated, by his finding it more difficult to maintain the market rate of wages above their natural rate.

Not only will agricultural goods be affected by this propensity for production costs in the agricultural sector to increase as society develops, but also all those other commodities in whose production raw products are required. The labourer will also be compelled, therefore, to spend more on their purchase.

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(1) Ricardo, Principles, p.102. Assuming, of course, that money is invariable in value, rent and wages will both tend to augment as wealth and population progress.

(2) ibid., p.102.

Although his tea, sugar, soap, candles and house rent, would probably be no dearer, he would pay more for his bacon, cheese, butter, linen, shoes and cloth; and therefore, even with the above increase of wages, his situation would be comparatively worse.

1

With the exception of a slight offset in the cost of production in the manufacturing sector, it seems that in the progress of society, the cost of producing labour will increase, leading ultimately to a fall in the market rate of wages to subsistence level. The next question is then, what regulates the subsistence minimum? Is it a purely physical minimum; or does it have a customary component?

(b) The Psychological Dimension of the Subsistence Wage

Ricardo and Malthus, particularly, have often been interpreted as arguing that the subsistence wage consisted exclusively in a physical minimum.<sup>2</sup> For instance, Oswald St.Clair notes that, despite "occasional reference to comforts and conveniences to be found in the modern cottage, Ricardo habitually thinks of the labourer's wage as affording him nothing by necessaries".<sup>3</sup> Such a view is understandable given the assumptions of the Malthusian theory of population, that the incapacity of the means of subsistence to support the population would lead to a reduction, via death, of a portion of that population. However, both Malthus and Ricardo make concessions to a psychological, or cultural element.

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- (1) Ricardo, Principles, p.104.
- (2) See, e.g. O'Brien, The Classical Economists, pp.116-117. Samuel Hollander, in his book The Economics of David Ricardo, (Toronto, U.P, 1979), pp.395 ff. adopts an almost diametrically opposed viewpoint arguing that Ricardo never views subsistence wages as constant at the 'natural' level. See p.403 esp.
- (3) St.Clair, Oswald, A Key to Ricardo (London, 1957), p.120, cited in Gordon, Barry, Political Economy in Parliament 1819-1823 (London, Macmillan Press, 1976), p.8.

"It is not to be understood", the latter asserts, "that the natural price of labour estimated even in foods and necessaries is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries. It essentially depends on the habits and customs of the people."<sup>1</sup>

An English labourer would never regard his wages as remunerated at their natural rate, if all they enabled him to purchase were potatoes for sustenance, and a mud cabin for accommodation. Yet "these moderate demands of nature are often deemed sufficient in countries where 'man's life is cheap', and his wants easily satisfied".<sup>2</sup>

Likewise Malthus, contemplating the disparities in modes of subsistence amongst different peoples, notes that "much must certainly depend upon the physical causes of climate and soil", but, more importantly "on moral causes, the formation and action of which are owing to a variety of circumstances".<sup>3</sup> In this way high wages, or the power of commanding a large portion of the necessaries of life, can have two consequences: such wages will either be expended on the maintenance of "large and frequent families", or, in the habituation to an improved mode of subsistence, convenience and comfort.<sup>4</sup> Both of these consequences derive from particular circumstances Malthus declares. A low standard of respectability and comfort tends to prevail in societies in which civil liberties are little valued, political liberty curtailed, and education anything but enlightened or comprehensive.<sup>5</sup> By contrast, in countries

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(1) Ricardo, Principles, pp.96-7.

(2) ibid., p.97. Ricardo quotes approvingly, in a footnote, from Colonel Torrens' An Essay on the External Corn Trade (London, Hatchard, 1815) in support of this point.

(3) Malthus, Principles of Pol.Ec., 1820, pp.249-250.

(4) Malthus, Principles of Pol.Ec., p.250, cf., McCulloch.

(5) ibid., pp.250-251.

where civil and political liberties are secured, and education enlightened, man, out of self-respect, will tend to expend his increased wages in such a manner that there is "a marked improvement of the quality of the food consumed, and a decided elevation in the standard of ... (his) comforts and conveniences".<sup>1</sup>

Despite such observations, however, the implications of the cultural dimension of the natural wage rate were left relatively unexplored by both Ricardo and Malthus. McCulloch, by comparison, devotes most of his attention, in theorising about the natural wage rate, to just this concern. As we saw from his earlier definition of the natural, or necessary, rate of wages, the "habits and customs prevailing" in a country are fundamental in determining the minimum acceptable wage rate.<sup>2</sup> Not only would this minimum vary internationally, because of differences, in the "physical circumstances under which every people is placed",<sup>3</sup> and differences in culture, but it would also vary intranationally, over time, according to the "perpetually occurring changes in ... (the) diet, dress, lodgings, and other accommodations",<sup>4</sup> of the people as their wants and necessities alter. The requirements determining the natural wage basket are seen to be, in part at least, subjectively determined, governed to some extent by people's perceived wants.

As we saw in the previous section, the monetary wage rate was seen

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- (1) ibid., pp.251-254. Malthus adduces evidence from Irish and English history in "support" of his case.
- (2) See p.257 of this section.
- (3) McCulloch, Essay on Wages, p.141.
- (4) McCulloch ed., Wealth of Nations, vol.IV, p.472.

to increase in societal development, as the cost of producing life's necessities increased. McCulloch notes, however, that the quality of food deemed necessary to life is, itself, of particular significance. Whilst the quality of food is high, for example, in the case of wheat, the labouring classes are deemed, by McCulloch, to have a kind of buffer to protect them against the worse consequences of the increasing cost of producing agricultural goods through time; however, where the quality of food is poor, in the case of potatoes, for example, this buffer does not exist. According to McCulloch the natural consequences of an increase in the price of food (or a contraction in the demand for labour) is to compel the labourers, through the ensuing depression in the wage rate, to economise. If this depression continues for any enduring period of time there is a possibility, McCulloch argues, that the habits of the labourers will become degraded; they will become accustomed to a lower standard of comfort or food. This represents, for McCulloch:

perhaps the most serious of all the evils that can befall (sic) them. Let them become contented with a lower species of food (etc.,) ... and they may bid an eternal adieu to everything better. <sup>1</sup>

If the labouring classes are already subsisting on the lowest species of food - as purportedly occurred in Ireland - then the scenario is much worse, for

it is, of course, impossible for them to go to a lower period of scarcity; and should their wages or the means of subsistence falling to their share, sustain any serious decline, an increase would necessarily take place in the rate of mortality. <sup>2</sup>

And so, the higher the customary wage minimum, the better the prospects for the labouring classes - in the short term - in the

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(1) McCulloch, Essay on Wages, p.147.

(2) McCulloch, ed., Wealth, 1850, vol.IV, p.474.

advancement of society.

This link between a depression in the market rate of wages, and subsistence requirements, is inversely mirrored with an increase in the market rate of wages, for every increase in the demand for labour has the potential to increase the subjective subsistence level during the interim period between a change in demand and provision of the requisite supply.<sup>1</sup> The reason for this surprising coincidence arises from the fact that the number of labourers in the market at any one time is a fixed quantum: it can neither be speedily increased when wages rise, nor reduced when they fall. Rather, a time-lag of between eighteen and twenty years is seen to elapse before the full effect of the increased stimulus that a wage rise gives to population can be felt in the market.<sup>2</sup>

During all this period, therefore, the labourers have an increased command over the necessaries and conveniences of life: In consequence their habits are improved; and as they learn to form more exalted notions with respect to what is required for their comfortable and decent support, the natural or necessary rate of wages is proportionally augmented. 3

This improvement in habit implies also an increase in moral restraint, which results in the final increase in the labour force actually being in deficit of demand.<sup>4</sup> The basis for this voluntary exercise of restraint is found in man's desire for betterment. Following Adam Smith, McCulloch notes that "the desire to rise in the world, and to improve our condition, is too deeply seated in the human breast ever to be wholly eradicated."

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(1) O'Brien, J.R. McCulloch, pp.362-3.

(2) cf., Malthus, Principles of Pol. Ec., 1820 ed., p.242. He cites a time-lag of sixteen to eighteen years.

(3) McCulloch, Essay on Wages, pp.143-4.

(4) O'Brien, op.cit., (1970), pp.362-3. Evidence of moral restraint may be demonstrated by the deferral of marriage to more mature years.

Contrary to the gloomy conclusions of Malthus it appears that "whatever may be the case with a few individuals, the principle of accumulation always predominates in aggregate bodies over the passion for expense".<sup>1</sup> Like Smith,<sup>2</sup> McCulloch concludes from this that high market wages - provided they are not artificially imposed - by increasing the supply of effort, and inculcating prudential habits are to be desired from the standpoint of both improving the condition of the labouring classes,<sup>3</sup> and of generating support for the institution of property.

Every individual placed under such circumstances, feels that he derives a direct and tangible advantage from the institution of the right of property, and that otherwise he should not be able peaceably to enjoy the fruits of his industry; and he consequently becomes personally interested in its support, and in the support of the public tranquility.<sup>4</sup>

The labouring classes are, it is alleged, the "foundation of the social pyramid". Whilst wages are high, the foundation is "solid and secure", because the labourers are industrious and orderly - supply of effort increasing with the level of wages.<sup>5</sup> But if this standard is permanently reduced, men become idle and dissipated, and the moral fabric of society is threatened. Public disturbances result from low market wages - and their repercussions for subsistence expectations.

An alteration in the demand for labour (in an upward direction) means that the lag in the adjustment of the population, by amending the

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- (1) McCulloch, Essay on Wages, p.155 (my emphasis).  
 (2) Smith, WN.I.viii.35 ff. See Chapter 2, section 3(i), pp.121-122.  
 (3) Underlying this appears to be the Smithian notion that where the labouring elements of society are flourishing and happy, so too is the rest of society. See WN.I.viii.36.  
 (4) McCulloch, Essay on Wages, p.159. (Original emphasis).  
 (5) ibid., pp.160-161. cf., Treatise on Wages, pp.48-9. This argument is directed against the view that high wages encourage indolence and apathy.

psychological expectations of subsistence, does not increase in proportion to the change in demand. Population pressure, in consequence, is essential to the progress of society rather than being inimical to it.<sup>1</sup> McCulloch appears, therefore, to have moved away from his early view of man as "the mere slave of appetite or instinct",<sup>2</sup> to a view of man as a rational creature capable of improving his living standards by the exercise of moral restraint.

One policy favoured by McCulloch as preventing, or at least abating, the immiseration of the worker, was the establishment of a system of public education. Poverty was thought to cause misery and crime, with ignorance, "or a want of the knowledge of the laws or circumstances that determine the conditions of the great bulk of mankind",<sup>3</sup> similarly regarded. Thus the provision of elementary education for all societal classes ought to be one of government's most pressing concerns. Education, by strengthening prudence and forethought, and by increasing social order through the inculcation of support for the institution of private property could also assist in the alleviation of distress caused by the tendency for population growth to outstrip capital growth.<sup>4</sup>

An increased demand for labour can, therefore, be positively beneficial to the comforts of the labouring classes by offering them the opportunity to develop more elevated tastes, which will in turn protect them from the full debilitating impact of the tendency for the produce of labour to diminish as society progresses. In this way

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(1) McCulloch, PPE, ed.3, 1843, Preface, p.xvi.

(2) ibid., Preface, pp.xv-xvi; and The Literature of Political Economy, (London, 1845), pp.259-261.

(3) PPE, ed.5, 1864, p.396.

(4) McCulloch also considered the impact of other policies on the per capita wage rate - for instance, he examined the impact of the Poor Laws, piece-work, emigration. See O'Brien, J.R.McCulloch, pp.319-331.

the psychological dimension of McCulloch's definition and treatment lends itself to a slightly more optimistic conclusion, than the belief that the necessary wage rate was exclusively conceived of as a physical minimum.

In order to understand better the relationship between the necessary or natural wage rate, and the market wage rate, we must now turn our attention to an examination of the determinants of the market rate of wages, and to the issue of the wage-fund theorem.

(ii) The Market Rate of Wages, or the Wage-Fund Theory

The basis of the classical economists' conception of the determinants of market wages is provided by the notion of the wage-fund. Thus, as McCulloch proclaims, the

Rate of Wages in any Country at any particular period, (is) dependent on the Magnitude of the Fund or Capital appropriated to the payment of Wages, compared with the number of Labourers. 1

This claim has led a number of modern economic commentators to note that:

The wage-fund theory is not, however, a theory of wages at all, but like the marginal productivity theory, a theory of the demand for labour. 2

In other words, capital comprises a demand for labour, which obviously assumes a motive for capital to demand labour. This motive is explained by an argument from productivity.<sup>3</sup> Capital accumulation is envisaged,

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(1) McCulloch, J.R., An Essay on the Circumstances which Determine the Rate of Wages, and the Condition of the Labouring Classes (Edinburgh 1826), p.112. (Original emphasis).

(2) O'Brien, The Classical Economists, p.355.

(3) cf., ibid, pp.355-360.

a la Smith, as supportive of the division of labour, the extension of which leads to an increase in the size of the aggregate produce of labour due to increased productivity, which provides, in turn, additional scope for continued accumulation. Wages may be affected in one of two ways by this increase in productivity: either the wage bill alone will increase, since the total return to labour is augmented by the employment of a larger number of labourers;<sup>1</sup> or both the wage bill and the actual wage rate will increase, since, for a time at least, the funds available to the support of labour, compared with the size of the labouring population, may lead to labourers being remunerated at a rate in excess of the natural rate of wages, which will lead ultimately to an increase in the supply of labour.

That capital constitutes a demand for labour seems merely to be a corollary of the assumption that capital was the only fund from which wages could be paid, given that production was a time-consuming process.

The essence of the wage-fund theory is that pre-accumulated capital forms a fund for the support of labour throughout the productive process.

As Ricardo recounts it:

Before a man can work for a year<sup>2</sup> a stock of food and clothing, and other necessaries must be provided for him. This stock is not his property but is the property of the man who sets 3 him to work.

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- (1) An extension of the social division of labour.
  - (2) The year mentioned is dictated by the agricultural scenario in which the wage-fund was usually situated. cf., Smith, WN.I.viii, 7-8.
  - (3) Ricardo, "Absolute Value and Exchangeable Value", Sraffa, ed., Works, vol.IV, p.365. It is important to the wage-fund theorem that the capital referred to is capital qua wage-goods, McCulloch's "Food, clothes, and other articles" for instance (Essay on Wages, p.112) as opposed to capital in its generic sense. Similarly it is important that the labouring population be differentiated from the total population. This distinction is, however, not always kept in mind. Mill simply notes that "the rate of wages, depends on the proportion between Population and Employment, in other words, capital", Elements, p,41.

Commodities produced by the conjoint operation of capital and labour have, it seems, "two classes of persons who are joint proprietors".<sup>1</sup> One class gives its labour only in production, the other advances capital - and both must be remunerated out of the product. Similarly, Mill argues that the labourer may be seen to "own" the labour, just as the capitalist "owns" the capital necessary to production.<sup>2</sup> This sense of "ownership" of labour derives from the Lockean concept that each individual is imbued with a right of property in his labour,<sup>3</sup> and represents a notion which underwrites most of the exhortations of the classical economists that the labourer ought to be left free to direct his labour into whichever channel he desires.<sup>4</sup>

Mills' discussion of the status of this labour, the property of the working man, in advanced society is interesting for what it illuminates about his concept of the wage-contract. Before examining in detail the wage-fund theorem, we propose to consider briefly this concept advanced by Mill, believing that it forms an implicit assumption in all classical economic theories of wages.

The great capitalist, the owner of a manufactory, if he operated with slaves instead of free labourers, like the West Indies planter, would be regarded as the owner both of the capital and of the labour. He would be owner, in short, of both instruments of production: and the whole of the produce.

What is the difference, in the case of the man, who operates by means

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(1) ibid., p.365.

(2) cf., Mill, Elements 1821, p.69; ed.3, 1844 vol.pp.20-21.

(3) Locke, Civil Government, II.V.§.27.

(4) cf., Smith's idea of labour as the "patrimony of a poor man", WN.I.x.c.12, and his critique of apprenticeship laws etc.

of labourers receiving wages?<sup>1</sup>

In the case of the owner of the slaves, Mill implies that his proprietary right over that slave, by virtue of its absoluteness, entitles the slave-owner to the entire produce of the slave's labour. In purchasing the slave, he purchases, "at once, the whole of that labour, which the man can ever perform".<sup>2</sup> He owns the labour and its product, as exclusively as he owns the slave.

In the case of the manufacturer working with wage-labour, the relationship is slightly different - though the difference is only of degree. The labourer, as we have seen, "owns" his labour, which means, by implication, that he is free to sell it. This he does for a stipulated period of time and fee in advanced society. The buyer of that labour - the manufacturer - reimburses the labourer with wages. By selling, what may be better described as his "labour-power", the labourer also it seems, effectively divests himself of his entitlement to a share in the actual product of his labour. Mill assumes, accordingly, that when the capitalist buys the labourer's capacity to labour, he is not only buying labour qua factor of production, but also the title to whatever that labour creates. Thus, the only difference between the West Indian planter and the manufacturer lies in the "mode of purchasing". The slave-owner purchases the labour of his slave in advance in its entirety. The manufacturer, purchasing the labour of his employee, buys "only so much of a man's labour as he can perform in a day, or any other any other stipulated time."<sup>3</sup> He is, Mill asserts, "equally

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(1) Mill, Elements, 1844, p.21.

(2) Mill, Elements, pp.21-22.

(3) ibid., p.22.

.. the owner of the labour so purchased, as the owner of the slave is of that of the slave".<sup>1</sup>

Given that the usual inference from the slave-owner relationship would probably be that such a relationship is inherently exploitative,<sup>2</sup> it is difficult to avoid deducing the same conclusion from the nature of the capitalist-wage-labour relationship, particularly since Mill elsewhere identifies the "grand governing law of human nature", as man's desire for power sufficient to "render the persons and properties of human beings subservient to our pleasures".<sup>3</sup> However, avoid deducing such a conclusion we must, for Mill sees the sale of labour by the wage-worker to the capitalist as the result of a "bargain between them", a bargain, that is, which "when made in freedom (is) ... determined by competition", and whose terms consequently "alter according to the state of supply and demand".<sup>4</sup>

The labourer's voluntary divestiture of his title to a portion of the property created by his labour is necessitated by his non-ownership of capital.<sup>5</sup> Products in advanced society tend to be the creation of the combined efforts of labour and capital, hence the labourer, to ensure the utilisation of his skill - and the procurement of subsistence - must rely on the provision of the requisite capital by another person.

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(1) ibid., p.22.

(2) cf., Macpherson, C.B., "The Economic Penetration of Political Theory : Some Hypotheses", Journal of the History of Ideas, vol.39, 1978, pp.101-118.

(3) Mill, James, "Essay on Government", in J.Lively and J.Rees (eds.)' Utilitarian Logic and Politics, (Oxford, Clarendon Press, 1978), p.63.

(4) Elements, p.42.

(5) McCulloch notes that "without circulating capital, the labourer never could engage in any undertaking which did not yield an almost immediate return", citing Smith in support of his argument. See "Political Economy", EB6, p.244.

Freedom for the labourer consists in the ability - contingent upon opportunity, of course - to make a free and voluntary contract of employment. The labourer, can, in theory, choose between a variety of occupations and can change masters at will if he so desires. Compared to the slave - who as a piece of property is sold as any other commodity is sold - the freedom of the wage-labourer lies in his ability to direct his own labour; to negotiate his own contract.<sup>1</sup>

Instead, therefore,

of waiting till the commodity be produced, and abiding all the delay and uncertainties of the market in which the value of it is realised, it has been found to suit much better the convenience of the labourers to receive their share in advance. The shape under which it has been found most convenient for all parties that they should receive it, is that of wages. 2

Although a similar conception to this is clearly fundamental to all the authors dealt with in this chapter, it is not normally articulated. Indeed, F.W. Taussig notes, of McCulloch, that he has little to say about how or why wages are dependent upon capital.<sup>3</sup>

This whole scenario of a wage-labourer faced with starvation or an opportunity to sell his labour to the capitalist in the market is noteworthy for what it illustrates about the conception of property underlying Mill's argument. If we assume, as the later anti-Ricardians do, that labour alone is entitled to the produce of its endeavour, then all the wage-contract reveals is the exploitative nature of the

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- (1) Whether the freedom to choose between labouring for minimal wages (as dictated by the wage-fund theorem), or starving actually constitutes a free choice at all, is of course, a moot point .
- (2) Mill, Elements, p.41 (My emphasis.)
- (3) Taussig, F.W., Wages and Capital : An Examination of the Wages Fund Doctrine (London, Macmillan 1896), pp.191-2. cf., also, Gordon, Scott, "The Wage-fund Controversy : The Second Round", HOPE, 1973, vol.5, pp.14-35.

relationship between labourer and capitalist, for the labourer, though justly entitled to the entire fruits of his labour, only receives a small portion of those fruits, whilst the capitalist supplying none of the labour requisite for production appropriates a larger portion of those same fruits. Exploitation is central to this contract.

However, if we assume as the classical economists do, that the prevailing pattern of property distribution is legitimate, and that capitalism presupposes the right of the capitalist to the profit generated by the employment of his property (capital) then the relationship between wage-labour and capital is regarded as reciprocal. Both benefit by the wage contract - the labourer does not starve, but finds an opportunity to employ his skills, and the capitalist makes a profit, and finds an opportunity to use his capital. The market, as it were, harmonises their interests.<sup>1</sup>

To return to the wage-fund theory. It is important to note this theory was constructed upon assumptions derived from an agricultural economy. In terms of Ricardo's Essay on Profit this is patently obvious. The economy is treated as if it represented a gigantic farm, producing a single output - corn - with the annual harvest divided into food/wages for the labourer, and seed/capital for the capitalist.<sup>2</sup> When the harvest was in, the total amount of agricultural produce available for consumption until the next year could be estimated. On the presumption that the labourer's subsistence consisted primarily of

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(1) cf., Hunt, E.K., "Utilitarianism and the Labor Theory of Value", HOPE, 11, 1979, pp.545-571, p.567 esp.

(2) cf., Gordon. op.cit., p.16.

agricultural produce, the average rate of wages for any particular year would be determined by the ratio of the last harvest's yield to the total labouring population.

Malthus, in the first Essay on the Principle of Population, adheres to just such a yearly cycle, commenting that the demand for labour is contingent upon the "yearly stock of provisions in a country".<sup>1</sup> Similarly, Ricardo, in the chapter "Taxes on Raw Produce" also suggests that it is the harvest of the past season that constitutes the fund from which wages are paid,<sup>2</sup> noting, for example that, a "deficient supply from bad seasons without any pernicious and unwise interference, would not be followed by a rise of wages",<sup>3</sup> indicating that the wage fund is rigidly predetermined according to the quantity of produce of the previous season's harvest. James Mill further reinforces this view through his assertion that "what is annually produced is annually consumed; or, that what is produced in one year, is consumed in the next".<sup>4</sup>

The rigid fixedness of the annual turnover period from harvest to harvest is, of course, unrealistic from the viewpoint of industrial capitalism where production periods are of variable length.<sup>5</sup>

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- (1) Malthus, Thomas Robert, An Essay on the Principle of Population, as it affects the Future Improvement of Society, 1798, ed. A. Flew (Harmondsworth, Penguin Books, 1970), p.184.
  - (2) Ricardo, Principles, pp.156-172 passim. cf., Blaug, Ricardian Economics, p.122.
  - (3) Ricardo, Principles, p.162.
  - (4) Mill, Elements, p.226.
  - (5) cf., Mill, Elements, p.227: "A year is assumed in political economy, as the period which includes a revolving circle of production and consumption. No period does so exactly. Some articles are produced and consumed in a period much less than a year. In others, the circle is greater than a year".

The purpose of this particular model, as initially expounded, was to enable Ricardo to express factorial returns in real terms, avoiding thereby the problem of valuation in labour terms.<sup>1</sup> On the whole, however, there is, as Taussig notes, "nothing rigid and inflexible in the capital from which ... wages could be paid";<sup>2</sup> in the writings of the classical economists, as evidenced by McCulloch's contention that, independent of an increase in capital funds, combinations and strikes did have a tolerable degree of success in raising wages.<sup>3</sup>

In fact a variable fund was quite consistent with the theory's main argument. Divested of its annual condition, or what Gordon calls "seasonality",<sup>4</sup> the wage-fund thesis could still operate. Retaining several features, viz., that all production is time-consuming, and requires in consequence, the provision, by the capitalist, of maintenance' to the labourer throughout this period, based on the premiss that such maintenance derives from a previously accumulated capital fund, the wage rate could now be ascertained through the simple quotient of total wage capital, divided by the total number of labourers.<sup>5</sup>

Thus as John Stuart Mill contends in his review of T.W.Thornton's book, On Labour, Its Wrongful Claims and Rightful Dues,<sup>6</sup>

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(1) See Chapter 3, Section 2, pp.154-157.

(2) Taussig, op.cit., p.213.

(3) McCulloch, A Treatise on Wages (London, 1851 and 1854. References are to the later edition), pp.84, 86.

(4) Gordon, op.cit., p.17.

(5) Gordon, op.cit., p.17.

(6) (London, 1869.)

There is supposed to be at any given instant, a sum of wealth, which is unconditionally devoted to the payment of the wages of labour. This sum is not regarded as unalterable, for it is augmented by saving, and increases with the progress of wealth; but it is reasoned upon at any given moment a pre-determined amount. More than that amount it is assumed that the wage-receiving class cannot possibly divide among them; that amount, and no less, they cannot but obtain. <sup>1</sup>

The wage-fund hypothesis need not necessarily contend, therefore, that the wage-fund is of a precise, unalterable and determined quantity, but it must, for the sake of consistency, argue that "an increase in wages must wait upon a prior expansion of production".<sup>2</sup> In other words, an increase in the wage rate as a whole must be dependent upon an antecedent increase in the rate of capital accumulation. A temporary or partial increase as envisaged by McCulloch, vis-a-vis the efficacy of strikes, does not contradict this assertion, since market competition would ensure that the decline in profits due to increased expenditure on the wage-bill would lead ultimately to the withdrawal of capital and thus to an equalisation in the profit rate.

One further aspect of note concerning the wage-fund theory relates to its development beyond the classical economists. Scott Gordon argues that in abandoning the "seasonality" premiss, the classical economists also abandoned the fixed time qualification of the numerator, which is requisite if the quotient is to be interpreted as a true rate.<sup>3</sup>

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- (1) Mill, J.S., "Thornton on Labour and its Claims", Fortnightly Review, V, 1869. Reprinted in Dissertations and Discussions, IV, 1875 (pp.25-84), p.43. Cited in Gordon, op.cit., p.18. (My emphasis.)
- (2) Blaug, Ricardian Economics, p.122.
- (3) Gordon, op.cit., p.17.

In treating of an economy where production periods overlap, the total quantity of goods available for consumption constitutes, in fact, a flow, rather than a stock or fund. Concern with the dimensional facet of wage theory led later American writers to the question of whether labour is conceived to be paid out of current output, or previously accumulated stock.<sup>1</sup> The Classical economists were not, however, especially interested in this question. Their main concern was to examine the relationship between the relative rates of growth of capital and population, in order to assess their impact on the standard of living of the labouring classes, and relates, as such, to such staple elements of classical economic theory as the Malthusian doctrine of population and the tendency of the profit rate to decline in the progress of society. As McCulloch notes

The well-being and comfort of the labourer are, therefore, especially dependent on the relation which their increase bears to the increase of the capital that is to feed and employ them. 2

The Malthusian doctrine of population underlying this view was founded on the principle that population has a universal tendency to grow faster than the means of subsistence. As Malthus writes "the power of population is indefinitely greater than the power of the earth to produce subsistence for man", thus, "population, when unchecked, increases in a geometrical ratio. Subsistence ... only in an arithmetical ratio".<sup>3</sup>

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- (1) ibid., pp.17-18. cf., for example, Wayland, F., Elements of Political Economy (1837) and Perry, A.L., Elements of Political Economy (1865). It is worth noting that Hodgskin, in Labour Defended Against the Claims of Capital, subjects the wage-fund theorem to just such an analysis, concluding that, in fact, labour is remunerated out of current output. See below, Chapter 7, section 2(ii).
- (2) McCulloch, Essay on Wages, p.114. cf., Treatise on Wages, p.5.
- (3) Malthus, Essay on Population, 1798, p.71.

Mill, developing this viewpoint in the Elements, notes that population has a consistent tendency to outpace capital accumulation adducing evidence from physiology and sociology to support his case<sup>1</sup>

It thus sufficiently appears, that there is a tendency in population to increase faster than capital. If this be established, it is of no consequence to the present purpose to inquire about the rapidity of the increase. How slow so ever the increase of population, provided that of capital is still slower, wages will be reduced so low that a portion of the population will regularly die of want. 2

Their subscription to the theory of differential fertility and diminishing agricultural returns only reinforces the view that population growth tends to surpass that of the capacity of the means of subsistence to support a burgeoning population, and means that ultimately, unless checks are operated upon population increase, labourers will receive only the natural rate of wages, which given the increasing cost of producing raw produce, will increase in monetary terms, though not in real terms.<sup>3</sup>

However, although the ultimate tendency is for population growth to outstrip capital accumulation, at different stages in societal progress this is not necessarily so. One reason for the disparities in the comparative rates of growth of capital and population emanates from the relative productiveness of industry. Since capital is nothing but the accumulated produce of previous industry, it is obvious that where industry is most productive, growth will be greatest.

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(1) Mill, Elements, pp.46 ff.

(2) ibid., p.56. McCulloch follows a similar line. cf., Essay on Wages, pp.118-128, 129, 148-9, 154-5, 157-9. See also Ricardo Principles, pp.94-109.

(3) See section 2(i) of this chapter. cf., also Ricardo, Principles, p.102.

In different stages of society, the accumulation of capital, or the means of employing labour, is more or less rapid, and must in all cases depend on the productive powers of labour. The productive powers of labour are generally greatest when there is an abundance of fertile land: at such periods accumulation is often so rapid, that labourers cannot be supplied with the same rapidity as capital. 1

Capital accumulation and population growth are, accordingly, most likely to keep pace in the early periods of a country's development. But in proportion as population increases in such new settlements, and land of a worse quality is taken into cultivation "the tendency to an increase of capital diminishes",

for the surplus produce remaining, after satisfying the wants of the existing population, must necessarily be in proportion to the facility of production, viz. to the smaller number of persons employed in production. 2

Unfortunately this situation cannot continue, since the product of land, limited in quantity, and variable in quality, tends to diminish as society advances.

As Patricia James notes in her book Population Malthus, Malthus - and indeed Ricardo, Mill, and McCulloch - saw the problem of the constantly deteriorating condition of the labouring classes "in simple terms of physical scarcity, not economic distribution".<sup>3</sup> The problem was basically lack of food, rather than how that food was shared out amongst the population. For Malthus the labouring classes could only be assisted by advances in productivity and not by charity.<sup>4</sup> Were the wealthy to subsidise the poor, the result would not be that everyone could thereby procure some meat, but simply that the effective demand

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(1) Ricardo, Principles, p.98. cf., McCulloch, Essays on Wages, pp.118-120.

(2) ibid., p.98

(3) James, Patricia, Population Malthus, (London, Routledge and Kegan Paul Ltd., 1979), pp.64-5.

(4) As well as via moral restraint.

for meat would merely increase the price of it beyond the means of the poor. The net effect of any such redistribution of income<sup>1</sup> would be to depress the standard of living of all by diminishing the share, or the "value of each man's patent".<sup>2</sup>

Whilst the market wage rate is determined by the supply of labour relative to demand, that is by the ratio of wage-capital to labouring population, it is also true that the labourers are themselves "the masters of the only means by which their command over the necessaries and conveniences of life can ever be materially extended."<sup>3</sup> Habituation to a higher standard of living, prompted by a period of high wages, may, as we have seen, recommend to the labouring classes the judiciousness of moral restraint.<sup>4</sup> By limiting their numbers, the labourers would be able to command a larger share of the capital allocated for the maintenance of labourer.

In the short-term, therefore, the rate of wages is calculated by the ratio of (working) population to capital, in the long-term, by the requirements of subsistence, whether conceived as a straight physiological minimum, or a combined physiological/psychological minimum.

As we observed earlier, the view of rent developed by the classical economists, on the whole,<sup>5</sup> simplified the problem of distribution to

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- (1) Malthus' (et al.) views on property will be dealt with in the next chapter.
  - (2) Malthus, Essay on Population, pp.96-7. Malthus is, as would be expected, opposed to the Poor Laws. cf., Essay on Population, pp.93-103.
  - (3) McCulloch, Essay on Wages, pp.128-9.
  - (4) There are also vague endorsements of birth control in Mill's Elements, pp.50, 67.
  - (5) Malthus makes an obvious, though intermittent, exception to this rule.

a dichotomy between wages and profit, with profit deemed the residual share. It is our aim, in the next section, therefore, to examine just how the classical economists explain the residual base of profit, beginning with an exposition of the nature of the profit reward.

Section 3 : Profit : A Residual Payment?

(i) Introduction

According to Frank H. Knight, modern discussion of the theory of profit recognises that the classical economists did not get beyond the "arithmetical truism of the residual idea".<sup>1</sup> Rent, as these authors conceived it, was a surplus determined at the margin of production, and as such extraneous to costs. The value of the marginal product was divisible between wages and profit only, with the former the "active", or regulating, principle. Profit comprises, therefore, the remainder of the produce after the deduction of wages, and is ipso facto peculiarly sensitive to alterations in the rate of remuneration of that factor. Thus, à la Ricardo, "profits would be high or low in proportion as wages were low or high".<sup>2</sup>

Profit is seen essentially, then, as a return on capital; capital accumulated through saving, and conceived of as simply a quantity of ordinary consumable produce, accumulated as "stock".<sup>3</sup> Capital was differentiated by its special use, that is: "its consumption in the special connection and for the special purpose of production, i.e. its own reproduction with an additional product which is profit";<sup>4</sup> or, as

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- (1) Knight, F.H., "The Ricardian Theory of Production and Distribution", pt.II, p.185.
- (2) Ricardo, Principles, p.110. cf. Mill, Elements, pp.68ff.
- (3) cf., Mill, Elements, pp.19-20; Malthus, Principles of Pol.Ec., pp.293-295.
- (4) Knight, art.cit. p.186. cf., O'Brien, The Classical Economists, pp.118-119.

articulated by James Mill, "capital, from its simplest, to its most complicated state, means something produced, for the purpose of being employed, as a means towards a further production", and is evidently the "result of what is called saving".<sup>1</sup>

The theory as outlined above is of note for the simple fact that the classical authors evidently failed to acknowledge, or perhaps realise, that "capital" is always the "value" of some concrete thing endowed with earning power, and that it is only a distinct source of income by virtue of the fact that it is restricted to things which are allowed to be owned, and bought and sold, that is, to property. Capital is simply the productive capacity of such items of property, Knight observes.<sup>2</sup> As Cannan states in a commentary on Irving Fisher, Fisher's endeavours to induce late nineteenth-century economists to speak of the capital of both individuals and societies, as the totality of things owned by them, at any particular time, did not coincide with the aims of the economists in their theory of production.<sup>3</sup> Capital for them did not comprise property, rather their concept of capital was linked to a search for an explanation of the comparative productiveness of man's industry in the past and the present. They were seeking a term to cover the whole of the "legacy left by each generation of mankind in the shape of useful - that is, still useful - alterations made by man in his material surroundings."<sup>4</sup>

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(1) Mill, Elements, p.19.

(2) Knight, art.cit., p.136.

(3) Cannan, Edward, A Review of Economic Theory (London, 1929), pp.150-151.

(4) ibid., p.150.

Although Malthus, Ricardo et al cannot be said to be pursuing an explanation of the comparative productiveness of capital, they too avoided discussing capital in terms of property - as something to be bought and sold. Capital merely comprised the produce of past labour capable of being employed to enhance labour productivity, by both supporting the labourer throughout production, thereby permitting the lengthening of the productive process, and by directly increasing the productive power of labour through the medium of machinery and other items of fixed capital.<sup>1</sup>

Aside from remarks to the effect that capital accumulation derived from saving, little was said about the origins of capital, or why it came to be concentrated in the hands of specific individuals. Its pattern of distribution was taken as given - and as such endorsed as both natural and legitimate. Only its ostensible role in production was considered.<sup>2</sup>

In order to understand better the classical economists' conception of profit, we propose to begin with an examination of the nature of the profit reward.

(ii) The Nature of the Profit Reward

From the time of Adam Smith onwards, profit tended to be differentiated from the wages of management. Smith had argued that profit consists of interest plus an additional premium for risk,<sup>3</sup> and this definition continues, on the whole. Ricardo talks of profits

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(1) cf., O'Brien, The Classical Economists, p.119.

(2) cf., Hodgskin, Labour Defended against the Claims of Capital, and Chapter 7, section 2(ii).

(3) Smith, W.N.I.vi.6, WN.II.iv.14; see also Blaug, op.cit., p.46. O'Brien, The Classical Economists, p.119; and Chapter 2, section 3(ii) of this thesis.

affording "an adequate compensation for their trouble, and the risk which they (the capitalists) must necessarily encounter in employing their capital productively"<sup>1</sup>, but fails to develop the topic any further. James Mill and Malthus are both noticeably reticent on the subject. McCulloch however discusses the nature of the profit reward in some depth.

Profit, he argues, somewhat contradictorily, should not be confounded with the produce of industry received by the capitalist, rather it comprises the value remaining after all costs of production have been paid.<sup>2</sup> Thus, if the produce yielded by an undertaking is insufficient to replace the capital expended, a loss will be incurred; if the capital be merely replaced, there will be no surplus, nor, therefore, a loss nor a profit, and if there is a surplus in excess of the costs, profit will be proportional to that. Thus, profits are regulated not by the proportion which they bear to the wage rate, but by the proportion which they bear to the capital employed in production. Clearly this conflicts with his view of the inverse movement of wages and profit.

Profit is not only a return on capital; it is also a compensation for risk, varying proportionally with the degree of that risk.<sup>3</sup> "Wherever there is risk, it must be compensated to the lender by a higher premium or interest".<sup>4</sup> The rate of interest depends on the rate of interest, with the former representing nothing more than the

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(1) Ricardo, Principles, p.122.

(2) McCulloch, PPE ed.5, 1864, p.454. Malthus makes a similar point, Principles of Pol.Ec., p.294.

(3) "Political Economy", EB8, p.240.

(4) Literature of Political Economy, p.248.

net profit on capital. Whatever returns accrue to the borrower beyond the rate of interest he has agreed to pay, are his rewards for risk, trouble, skill, or advantages of situation and connection.<sup>1</sup>

McCulloch distinguishes between gross profit, and net profit. Gross profit varies according to risk, respectability, and "agreeableness of different employments", employing those categories of occupational differentials identified by Adam Smith<sup>2</sup>, thus a gunpowder manufacturer must earn as much profit over and above the normal rate in secure businesses, in order to guarantee, or insure his capital against the extraordinary risks to which it is exposed, and in order, presumably, to compensate him for the greater wage-bill incurred due to the higher rate of remuneration of his employees given the greater risk involved in the occupation in question. Net profit is identified exclusively with pure interest.

McCulloch also considers the question of profit as a return on investment in education, and the connected problem of the rent of ability. Whether the profit accruing to those with superior knowledge and skill can be identified as profit is, the author claims, disputable.

Regarding those superintending the use of capital in industries yielding extraordinary returns, who have received, themselves, superior educations, such returns should be viewed as "the profit upon, or returns to, the extra outlay on their education".<sup>3</sup>

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(1) ibid., p.248.

(2) cf. Smith, WN.I.x.b.1 ff. cf. O'Brien, op.cit., p.310; McCulloch, O'Brien alleges, occasionally confused insurable and non-insurable risk in his calculations.

(3) PPE, ed., 5, 1864, p.460.

However, where the parties possess any peculiar talent or genius

by which they are enabled to strike out new and better methods of production, the results must be considered as the fruit of natural gifts, of which they are the exclusive possessors. The profits realised by such parties are not subject to any ordinary rule or law. <sup>1</sup>

This is, of course, a curiously individualistic argument, and conflicts with the notion of the social possession of accumulated knowledge envisaged by Hodgskin.<sup>2</sup>

Profits may comprise therefore elements of pure interest; risk payment; the wages of management; a return to skill; and returns due to advantages of situation and connection. However, an explanation of the nature of the profit reward indicates nothing about the origin of that reward. The aim of Section 3(ii) will be, then, to examine the source of profit.

(iii) The Origin of Profit

Before moving on to examine the manner in which the level of profit is determined, a number of points pertaining to the emergence of profit, and the reason for its existence, ought to be considered.

The core idea in the classical economists' view of profit is that it comprised a reward for waiting. Adopting the Smithian theorem, that capital by supporting the division of labour and assisting labour led to an increase in productivity, the classical writers were led ultimately to the conclusion that the provision of capital by the capitalist entitled him to a reward.<sup>3</sup> With Smith this includes, therefore, the

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(1). ibid., p.460.

(2) cf., Hodgskin, Popular Political Economy (London, 1827), pp.100-110.

(3) cf., Smith, WN.I.viii.7-8. See Chapter 2, section 3(ii), pp.125-131.

notion that the labourer must yield part of his product to capital, as recompense for its assistance in production.

McCulloch follows Smith's lead quite closely, noting that the provision of wage goods in exchange for labour will not be an equal exchange.

No capitalist could have any motive to exchange the produce of a given quantity of labour already performed for the produce of the same quantity of labour to be performed,

unless he were to benefit by the transaction. Thus, wage goods will never command only the quantity of labour required to produce them, rather they will "always exchange for more; and it is this excess that constitutes profits".<sup>1</sup>

Profit is a reward for waiting - that is, the capitalist collects a reward primarily because he maintains the labourer during production. In other words, profit accrues to the capitalist because of his control over capital. The labourer dispossessed of capital and land cannot "wait";<sup>2</sup> he cannot maintain himself, so subsistence is provided by another. "For making this provision, the capitalist, of course, expects a reward".<sup>3</sup> As we have already noted in Chapter 2, the exploitative implications of this scenario were not, however, developed by the classical economists. They avoided the normative conclusions

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(1) McCulloch, PPE ed.1, 1825, pp.119-20.

(2) cf., Blaug, Ricardian Economics, p.49. cf., also Mill, Elements, pp.17-18; 20-22; 40-41; and Section 2 (ii) above.

(3) Mill, Elements, p.40. cf., Malthus, Essay on the Principle of Population (1798), pp.183-4.

suggested thereby<sup>1</sup> preferring instead to see the existing pattern of property distribution as legitimate, and the problem of the determination of rent, wages, and profit as an empirical issue, leaving it to the later anti-Ricardian writers to question the proprietary base of capitalism.<sup>2</sup>

(iv) Determination of the Rate of Profit

In this section I intend to focus almost exclusively on the "Ricardian" exposition of profit, as the doctrine concerning the effect of accumulation on profit is, in a sense, the pivotal idea in Ricardo's theory of distribution.<sup>3</sup>

As we saw in Chapter 2, Smith argues that the effect of capital accumulation, in the absence of any compensating expansion in outlets for capital investment, would be to lower the profit rate. An increase in the rate of profit is contingent upon an expansion in the opportunities for investment. Similarly the rate of profit might also decline if capital accumulation - or the demand for labour - outpaced the supply of labour. Thus the profit level is a function of supply and demand.<sup>4</sup>

Malthus isolates two factors capable of affecting profit - seen as the excess of the return on capital, over its advances<sup>5</sup> - firstly

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(1) cf., Chapter 2, section 3(ii), pp. 127-130.

(2) cf., Chapter 7.

(3) Winch, Donald, Intro. to The Principles of Political Economy and Taxation, 1821 (London, Everyman, 1973), p.ix.

(4) See Chapter 2, section 3(ii); Winch, ibid., p.ix.

(5) Malthus, Principles of Pol.Ec., pp.293-4.

"the difficulty or facility of production on the land", and secondly, "the varying relation of the quantity of capital to the quantity of labour employed by it,"<sup>1</sup> noting that it is, in fact, the "relative scarcity or abundance of capital" which actually and practically determines profit.

Adam Smith ... in dwelling solely upon the abundance and competition of capital, ... is practically much nearer the truth, than those who dwell almost exclusively on the quality of the land last taken into cultivation. 2

Clearly the first point - concerning conditions of production in agriculture - is the offspring of his theory of diminishing marginal returns (in agriculture), and differential fertility. Only on the assumption that the real wages of labour remain constant, the level of agricultural skill unchanged, and the establishment of absolute restrictions upon the importation of corn, would the problem of recourse to inferior lands, and increasing marginal costs of production necessitated by population growth, lead to a fall of profit. For then, "the portion destined to the payment of labour would be continually encroaching upon the portion destined to the payment of profit".<sup>3</sup> In actuality, however, real wages do not remain constant. The labourer does not always receive "an unvarying quantity of the necessaries of life",<sup>4</sup> rather, the real price of labour varies with the progress of capital and revenue, and the demand for labour compared with supply.

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(1) ibid., pp.294-5.

(2) ibid., pp.325-6. Malthus concedes that in the long-run the cost of producing food at the margin will lead to a fall in profit, but claims that though this principle is "finally of the very greatest power, yet its progress is extremely slow and gradual" (p.312). In the interim it is supply and demand that are important.

(3) ibid., p.296.

(4) ibid., p.297.

Scarcity of capital compared with the supply of labour ensures a high rate of profit, whilst a superfluity of capital compared with the supply of labour will ensure a low rate. And thus where investment opportunities for capital are closed off, as they would be when all land was cultivated, and no more capital could be employed on it, then "the competition of increasing capital in manufactures and commerce would reduce the rate of profits".<sup>1</sup> And thus it is the phenomenon of supply and demand that is responsible for the determination of the general level of profit at any point in time, though the ultimate tendency, which may, it seems be repeatedly offset,<sup>2</sup> is for the rate of profitability to be contingent upon the productivity of the marginal investment in agriculture.<sup>3</sup> Again Malthus conflates short term and long term factors.

Ricardo, as we shall see, ignores the effect of supply and demand on profit, except insofar as any alteration in the market rate of wages must necessarily involve an alteration in the share of the product falling to capital, given the assumption of an inverse ratio between profit and wages expressed somewhat mechanistically by James Mill as the fact that "the share of the one cannot be increased, without a corresponding diminution of the share of the other."<sup>4</sup>

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(1) ibid., p.305.

(2) By improvements in agricultural technology, and by an increase in the personal exertions of the labouring classes, ibid., pp.313-326.

(3) O'Brien, The Classical Economists, p.121.

(4) Mill, Elements, p.79.

Rather, Ricardo focuses on the long-run trend of profits, after market adjustments have taken place.

The theory of profits expounded by Ricardo, was aired for the first time, publically, in his Essay on Profits, in which he disclaimed the (purported) beneficial effects of the Corn Laws, and it is thus to the Essay that we first turn.

(a) The Essay on Profits

It is the profits of the farmer that regulate the profits of all other trades - and as the profits of the farmer must necessarily decrease with every augmentation of capital employed on the land, provided no improvements be at the same time made in husbandry, all other profits must diminish.

The central tenet of the Essay is the idea expressed above, that the general profits of stock in all trades, are regulated by the least profitable employment of capital in agriculture. Profit, then, depends "on the price, or rather on the value of food".<sup>2</sup> Underlying this is the assumption that the mechanism of competition - specifically capital-flow - prevents the co-existence of two rates of profit in the market, forcing that in the non-agricultural sector to parity with that in agriculture. Thus investment in agriculture is fixed by the size of the population which produces a totally inelastic demand for corn<sup>3</sup> thereby preventing an outflow of necessary capital from the agricultural sector. In addition, Ricardo also held, at this point that the sole effect of the progress of wealth on prices, independent of all improvements, was to

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(1) Ricardo to Trower, 8 March 1814, Sraffa ed., Works, vol.VI, p.104. Malthus' purported position - as cited in this letter - was that "the profits of the farmer no more regulate the profits of other trades, than the profits of other trades regulate the profits of the farmer".

(2) Essay on Profits, p.26.

(3) O'Brien, op.cit., p.123, i.e. an alteration. in price will not lead to an alteration in demand.

raise the price of raw produce, and labour, leaving all other commodities at their original price.<sup>1</sup>

As the letter to Trower suggests, it was because of the law of diminishing returns in agriculture, due to the diminished productivity of successive investments of labour and capital on land, that profits fell. Profits in agriculture, then, were seen to determine the rate of profit throughout the economy.<sup>2</sup>

Prior to the emergence of rent, the product of agriculture was shared exclusively between capital and labour. After the emergence of rent, only the marginal product is divided exclusively between wages and profits. Produce on rent-paying land is divided into three shares. Since the cost of producing the marginal product is seen to regulate the price of the whole of the agricultural product,<sup>3</sup> rent (the excess of the produce left after the payment of wages and profit) is transferred from the capitalist to the landlord.<sup>4</sup> Rent would "rise on the land previously cultivated, and precisely in the same degree would profits fall".<sup>5</sup> For a time, as society advances, both profit and rent would increase. However, at a later period, "every accumulation of stock" will, Ricardo contends, be accompanied by an "absolute, as well as a proportionate diminution of profits".<sup>6</sup> And the reason for this, is

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- (1) Essay on Profits, p.20. Sraffa notes that this opinion was modified shortly after publication. Ricardo came to believe that the prices of all goods of which raw produce formed a component part, would be affected by their increasing costs of production, cf., Principles, p.117.
  - (2) This view is subtly amended in the Principles, and becomes the idea that marginal productivity in agriculture determines the profit rate in the economy. cf., O'Brien, op.cit., p.123.
  - (3) Since this is the only way to ensure that the requisite supply of food is brought to market.
  - (4) For a fuller discussion of the differential theory of rent, see Section 2 of this chapter.
  - (5) Essay on Profits, p.4.
  - (6) ibid., p.16.

the increased expense of producing food. Profit depended on the difference between the product of labour at the margin, and the subsistence of that labour. As Dobb notes, profit was expressed as a "simple product-ratio to wages" - a ratio which declined with the extension of the margin and the diminution in the product of a day's labour.<sup>1</sup> Ricardo's theory can be encapsulated in a statement made to Malthus, in a letter of June 1814, that "the rate of profits and of interest must depend on the proportion of production to the consumption necessary to such production",<sup>2</sup> or, in other words, profits are, as Thomas de Quincey proclaimed, "the leavings of wages".<sup>3</sup> Profits fall because the "outgoings belonging to cultivation" increase as society advances.

To the contention that profits in manufacturing and profits in agriculture alternately take the lead in determining profit, Ricardo claims that no matter how high profits in manufacture may rise, capital will not be withdrawn from the land since the amount of its investment is regulated by population size. And since two profit rates cannot co-exist, he argues that there will be an inflow of capital from other non-agricultural channels into those industries earning above average rates of profit, which has the effect of depressing profit to the level of agricultural profit. It is, he asserts, "impossible that all other profits should rise whilst the profits on land are either stationary, or retrograde".<sup>4</sup> Profit depends on the price of food.<sup>5</sup>

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- (1) Dobb, Theories of Value and Distribution, p.69. cf., Sraffa, Introd., Principles, p.xxxi.
  - (2) Ricardo to Malthus, 26 June 1814, Sraffa ed., Works, vol.VI, p.108. cf., Sraffa, Introd., Principles, pp.xxxii.
  - (3) De Quincey, Thomas, The Logic of Political Economy (Edinburgh and London, 1844), p.204. Cited in Dobb, op.cit., p.70.
  - (4) Essay on Profits, p.26.
  - (5) ibid., p.26. Ricardo here acknowledges that improvements in the productivity of wage goods, in the non-agricultural sector, would lead to a fall in wages, and would raise the profits of the farmer, "and therefore, of all other profits". Though conceding this point, he does not consider its implications.

The theory advanced by Ricardo in the Essay forms the basis of his theory of profits in the Principles - though subject to modification, as we shall now see.

(b) The Principles of Political Economy and Taxation

The most fundamental assertion of the explanation of profit, posited by Ricardo in the Essay, is the notion that "it is the profits of the farmer that regulate the profits of all other trades". In the Principles this idea is modified to the much more general assertion that it is the productivity of labour on marginal land, that is, no-rent land, that regulates general profitability throughout the economy. Thus, "in all countries, and at all times, profits depend on the quantity of labour requisite to provide necessaries for the labourers, on that land or with that capital which yields no rent".<sup>1</sup> This is, in many ways, the core of Ricardian economics.

In the Essay, Ricardo's discussion of rent and profit had been conducted without recourse to a theory of value. However the inclusion of such a thesis into the Principles enabled Ricardo to show that rent, as a price-determined surplus, was extraneous to the formulation of value in exchange, and thus allowed him to concentrate on the relationship between labour and capital, particularly the inverse movement between wages and profit, which as Winch asserts, is central to Ricardo's explanation of the secular decline of profits.

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(1) Principles, p.126.

(2) Winch, Intro., Principles, Everyman ed., p.xi.

Ricardo is endeavouring to demonstrate that "profits would be high or low in proportion as wages were low and high",<sup>1</sup> and that there is an inexorable tendency for profit to fall.

Assuming that money is of invariable value, Ricardo offers several examples to support his basic thesis. Remembering that the exchangeable value of all commodities is divided exclusively between wages and profit, he notes that if corn and manufactured commodities were to sell at the same price, then profit and wages would vary exactly inversely. Should corn increase in price through the expenditure of additional labour on its production, that cause alone will not raise the price of manufactured commodities on whose production a constant amount of labour has been exerted. If wages continued to be remunerated at the same rate, profit in manufacturing would also continue steadfast at the same level. However, if, as Ricardo is certain will happen, money wages increased with the augmentation in the cost of growing corn<sup>2</sup>, profits would decline in all sectors. The rationale behind this assertion is that the product of a stipulated quantity of capital and labour always has the same value, regardless of its productivity, and thus a change in the rate of remuneration of one of these factors necessarily involves a change in the rate of remuneration of the other.

As James Mill later notes, the partition of shares between the capitalist and the labourer "depends upon the relative abundance of

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(1) Ricardo, Principles, p.110.

(2) Still the principal, though not the sole component of the wage-basket.

population and capital, and that population, as compared with capital, has a tendency to superabound", and thus the "active principle of change is on the side of population", constituting a reason for considering population, and hence wages, as the regulator of profits.<sup>1</sup>

Not only will the profits obtained in manufacturing fall, but also those obtained in agriculture. The farmer will not only have to pay an increase of wages to each of the labourers employed by him, but he will also be compelled to either pay rent or to employ an additional number of workers in order to obtain the same produce, "and the rise in the price of raw produce will be proportioned only to that rent, or that additional number, and will not compensate him for the rise of wages".<sup>2</sup>

A rise in the price of corn, which augments the money wages of the labourer, diminishes the money value of the farmer's profits.

Thus in every case, agricultural, as well as manufacturing profits are lowered by a rise in the price of raw produce, if it be accompanied by a rise of wages. If the farmer gets no additional value for the corn which remains to him after paying rent, if the manufacturer gets no additional value for the goods which he manufactures, and if both are obliged to pay a greater value in wages, can any point be more clearly established than that profits must fall, with a rise of wages? 3

There are, Ricardo alleges, few goods whose prices are not affected by alterations in the price of raw produce, because some raw material, from the land, will be utilised in their composition. Cotton and

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- (1) Mill, Elements, p.71. Mill's argument closely follows Ricardo's as we shall see shortly.
  - (2) Principles, p.111.
  - (3) ibid., p.115. Ricardo concedes that the labourer may, if his wages had been sufficiently high previously, be content with fewer enjoyments - and thus money wages will not increase in price. This, however, is the exception, rather than the norm.

linen will, for example, rise in price with the increased cost of wheat - not because more was paid by the manufacturer to his employees, but because of the quantity of labour bestowed upon the raw material in question.

Ricardo is somewhat grudgingly prepared to concede that, the effects produced on profits would have been approximately similar had there been a rise in the price of necessaries other than food. But an alteration in the value of luxury goods due to an increase in labour quantity requisite in production will have no effect on profit. And since the labourer does not expend his wages on these goods, any change in their value will not occasion an increase in wages.<sup>1</sup>

Throughout his disquisition on profits, Ricardo is speaking in generalisations. He accepts that there are temporary deviations from the rules he is adumbrating. The market price of an article may indeed exceed its natural price, if demand is in excess of supply, in which case high profits on the capital employed in its manufacture will naturally attract capital to that trade. Once the necessary funds are made available, and the supply of the good increased in line with demand, price will fall, and profits will again conform with those generally earned.

A fall in the general rate of profits is by no means incompatible with a partial rise of profits in particular employments. It is through the inequality of profits, that capital is moved from one employment to another.

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(1) ibid., p.118.

(2) ibid., p.119.

Thus, in the time it takes profits to adjust to the lower rate occasioned by an increase in wages contingent upon the ever-increasing difficulty of supplying life's necessities, the profits of the farmer may be temporarily above their former level. Ricardo concludes, however, that none of this invalidates the general thesis that, "profits depend on high or low wages, wages on the price of necessaries and the price of necessaries chiefly on the price of food", since all other requisites may be almost increased without limit.<sup>1</sup>

The final point in his argumentation concerns the advent of the stationary state. Ricardo's general hypothesis is that the natural tendency of profits is to fall. Observing that this tendency is frequently checked by the improvements in agriculture, both in terms of the development of labour-saving machinery, and developments in the science of agriculture, he indicates that the rise in the price of necessities, and concomitant increase in money wages is, in fact, limited. Once the wages of labour are equivalent to the entire receipts of the farmer, there must be an end to accumulation. Capital can no longer yield any profit, and no additional labour can be demanded, since the funds available to support it are non-existent. In consequence, population will have reached its utmost limit and society will have reached the stationary state. Long before this period however, the low rate of profit will already have discouraged all accumulation. Accumulation only takes place if there are

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(1) ibid., p.119.

(2) Capital is conceived as originating in savings from the product of labour.

opportunities for capital investment, and only where there are such opportunities is profit affected. The farmer and the manufacturer, Ricardo asserts, can no more live without profits, than the labourer can live without wages. Their motive for accumulation will diminish proportionally with every diminution in the rate of profit, and "will cease altogether when their profits are so low as not to afford them an adequate compensation for their trouble, and the risk which they must necessarily encounter in employing their capital productively".<sup>1</sup> Before the point of the stationary state is reached, almost the entire produce of the country, after the remuneration of the labouring classes, will belong to the landlords, and receivers of tithes and taxes.<sup>2</sup> The state of prices would then be permanent.

Thus Ricardo concludes profitability throughout the entire economy depends upon the marginal productivity of agriculture. Clearly this means that the effects of accumulation will vary in different countries according to the fertility of the land therein. No matter how extensive a country may be, if its land is of a poor quality, the most moderate accumulations of stock will be attended with great reductions in the rate of profit, and a rapid rise in rent; whereas a small but fertile country may, especially if the importation of food is freely permitted, accumulate large stocks of capital without incurring either a particularly great fall in profits, or a great increase in the rent of land.

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(1) Principles, p.122.

(2) ibid., p.121.

Such is Ricardo's theory of profit. Our next aim in this chapter is to consider the development of that theory at the hands of Ricardo's two disciples, James Mill and John Ramsay McCulloch.

(c) Profit and Ricardo's disciples, Mill and McCulloch

Both Mill and McCulloch, initially at least, adopt the general Ricardian hypothesis that the rate of profit in all fields is determined by the productivity of labour on marginal land, with the correlative assumption that profits would tend to decline as society advances.

Mill, on the whole, adheres rigidly to Ricardo's format. Rent is made a price-determined surplus, leaving the value of any product to be divided between wages and profit, with that product specified by Mill as the net product remaining after the replacement of the capital consumed in production.<sup>1</sup>

Wages, as already mentioned, are rendered the predicating factor in the inverse relationship of wages and profit.<sup>2</sup> Profit is, therefore, a residual payment. It is what remains of the net product after wages have been deducted.

Mill then begins, somewhat pedantically, to clarify his argument.

The share accruing to wages and profit respectively may be conceived in one of two ways, either as a proportion of the good created by the joint endeavour of labour and capital, or as a quantity of commodities.<sup>3</sup>

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(1) Mill, Elements, pp.71-72.

(2) ibid., p.71.

(3) ibid., p.72.

Any alteration in the proportion of the produce devolving on either the capitalist or labourer necessarily betokens a corresponding alteration in the proportion devolving on the other; and the "proposition that profits depend upon wages, admits of no qualification".<sup>1</sup>

However, a change in the quantity of goods devolving on either party does not necessarily indicate, or support, the assertion that profits depend on wages. Rather, a deviation in the productive power of the instruments of production, leading to an increase or diminution in their product, will be sufficient to explain the amendment in the amount of produce received by labour and capital respectively.

In the former instance, it is true to say that profits depend literally, and strictly, upon wages. In the latter instance, however, although it might be asserted with some degree of accuracy that there will be an inverse relation in the distribution of the goods - since the more received by one, the less remains to the other - there is nothing to suggest that this will necessarily be so. It is quite feasible that the amount received by each may have increased in magnitude. The possibility of an increased share to both parties, in the former instance, is, of course, absolutely untenable.<sup>2</sup>

The reason that Mill engages in this laborious explication of the terms "alteration of wages, alteration of profits", is to introduce the concept of value, and to illuminate the concept of profit as a

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(1) ibid., p.72.

(2) ibid., p.76.

rate of return upon capital investment, and not simply a proportional relationship.

Value may refer to either value in exchange, understood as purchasing power, "as when we say, that the value of a hat, is double that of a handkerchief, if one hat will exchange for two handkerchiefs",<sup>1</sup> or, to value as cost of production, where "if two days' labour went to the production of one commodity, and two to the production of another commodity ... the two commodities were of equal value".<sup>2</sup> The assumption here being that the value of equal quantities of labour remains constant, whatever the rate of productivity.

Employing value in the first sense - as value in exchange - conforms with the second example of alteration of wages and profit mentioned above - where a rise or fall of profits or wages is expressed in quantitative terms.

When we say that the labourer receives a greater quantity of commodities, and when we say that he receives a greater exchangeable value, we denote by the two expressions, one and the same thing. In this sense, therefore, nobody has ever maintained that profits necessarily rise when wages fall, and fall when wages rise.

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However, if the Ricardian scheme is utilised, the case conforms to the first example cited, viz., that of proportions. If what is produced by an invariable quantity of labour continues to be divided in the same proportions, that proportion may comprise a greater or lesser quantity of produce, but it will always be the produce of the same amount of labour,

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(1) ibid, p.73.

(2) ibid, p.73. This is the mode employed by Ricardo.

(3) ibid, p.74.

and hence represent the same value. In this sense of the word value, Mill asserts, it is always strictly and undeniably true, that profits depend upon wages, so as to rise when wages fall, and fall when wages rise, assuming unchanged quantities of labour are necessary for production.

However Mill notes, "in the common mode of expressing profits" reference is made not to the produced commodity, but "to the capital employed in producing it; including the wages, which it is necessary to advance, and from which the owner expects of course to derive the same advantage as from his other advances".<sup>1</sup> Profits are expressed, therefore, not in aliquot parts of the produce, but of this capital. It is not so much per cent. on the produce that a capitalist is said to receive, but so much per cent. upon his capital.

There are, then, two options in discussing the return to labour and capital - proportions or quantities - and Mill counsels it is more convenient, therefore, to talk about the rate of profit upon capital, rather than of shares of the produce falling to the capitalist, for the simple reason that the former operates uniformly on all varieties of produce; whereas the latter varies as factor mixes differ.<sup>2</sup> Utilising both mediums or expressions allows the political economist to illuminate different points. The question of proportions enables him to illustrate the inverse movement of wages and profit caused by changes in the rate or remuneration of wages; whereas the question of quantities

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(1) ibid, p.75.

(2) ibid., p.76.

enables him to pinpoint changes in the productivity of labour and capital.

According as you apply the term value, to the effect, the quantity of produce; or to the cause, the quantity of labour employed; it will be true, or it will not be true, that the value of what is received by the capitalist, the labourer (sic) and reciprocates along with their shares. 1

Mill's aim in the Elements is to present an exposition of Ricardian political economy, devoid of all sophistication. McCulloch's aim is however, slightly different to Mills. McCulloch is not concerned, initially at least, with the issue of terminological exactitude; rather, his aim is simply to disseminate Ricardian orthodoxy. Thus, he proclaims that

the average value of the returns obtained from capital employed in agricultural industry, must always govern the average value of those obtained from capital employed in every other department 2

indicating that again it is the productivity in one sphere - agriculture - which regulates profitability throughout the entire economy.

Similarly, McCulloch endorses the notion of an inverse movement between wages and profits. Since rent is a price-determined surplus, the marginal product can only be partitioned between wages and profits with profits dependent upon proportional wages, that is, the share of the produce falling to labour - which is itself contingent upon the cost of producing food - and not upon wages estimated in money or corn.

McCulloch has, however, moved slightly away from what he conceives

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(1) ibid., p.79.

(2) McCulloch, "Principles which Determine the Exchangeable Value of Commodities and the Rate of Profit", Scotsman, February 21 1824, p.113. cf., O'Brien, J.R.McCulloch, pp.293-4.

to be Ricardo's position. Ricardo, he alleges, supposes profit to connote the real value of the part of produce falling to the capitalist, whereas he ought to regard profit as regulated by the magnitude of the capital employed in production. Ricardo's emphasis is, it appears, mistaken.

The profit accruing to the capitalist is different and totally distinct from the proportion of the produce ... falling to their share. Profits consist of the excess of the commodities produced by the expenditure of a given quantity of capital over that quantity of capital; and are always measured in aliquot parts of the capital employed. 1

Although dissenting slightly from Ricardo on this point, McCulloch still somewhat contradictorily, given his views upon the role of invention and technological progress in economic growth,<sup>2</sup> maintains that diminishing marginal returns in agriculture account for the declining profit rate. ,

Had it not been for the gradually decreasing productiveness of the capital laid out in the cultivation of the soil, the productiveness of industry would have increased with the various discoveries and inventions for saving labour that we may suppose would have been made in the progress of society. 3

McCulloch, it is clear, accepted this stagnation thesis in his early works, but as O'Brien has previously intimated, he ultimately rejects this notion.<sup>4</sup>

Firstly, he appears to doubt the historical accuracy of the claim that profits are declining, claiming that the profit rate in the Middle Ages was actually lower than it was subsequently.

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(1) McCulloch, PPE, ed.1, 1825, pp.192-3. (Original emphasis) cf., pp.193-4. The point is similar to Mill's exhortation to consider the rate of profit and not the proportion falling to profit when discussing the return to capital.

(2) O'Brien, J.R.McCulloch, p.294.

(3) McCulloch ed., Wealth, 1828, vol.IV, pp.187-8.

(4) O'Brien, op.cit., p.296.

Secondly, from circa 1830 onwards, he begins a public recantation of the doctrine of the inexorability of diminishing returns. In Holland, he asserts, the diminution of profit may be seen as particularly explicable by the massive amount of capital accumulation. This suggests, we would contend, that McCulloch is again falling back on his Smithian heritage, and adopting the idea that profitability is related to opportunities for capital investment; where such opportunities are closed off, the rate of profit tends to decline due to the expansion of competition amongst capitalists.<sup>1</sup>

Another important step in the rejection of Ricardo's thesis was identified by O'Brien, as the abandonment of the idea that the Corn Laws detrimentally affected the price of agricultural wage goods.<sup>2</sup> Indeed, McCulloch goes so far as to suggest that their effects are not "nearly so injurious as is frequently represented", observing that the average price of corn in Great Britain is, in fact, "rapidly approximating to those on the Continent".<sup>3</sup>

The vital development in McCulloch's rejection of this hypothesis is located, again by O'Brien initially, in the former's articulation of the idea that improvements in agriculture could more than temporarily offset the advent of the stationary state.<sup>4</sup> To begin with, McCulloch, like Ricardo, had relegated those improvements in technology capable of affecting the declining margin to the short term.<sup>5</sup> However, by 1842, McCulloch was more optimistic - innovations in agricultural productivity

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(1) See Chapter 2, section 3(ii). See also McCulloch, "Rise, Progress and Decline of Commerce in Holland", Edinburgh Review, LI, July 1830, pp.418-43.

(2) O'Brien, op.cit., pp.297-8.

(3) McCulloch, "Political Economy", EB7, p302.

(4) O'Brien, op.cit., pp.298-9.

(5) McCulloch, "Political Economy", EB6, p.271.

might, in fact, greatly retard the decline of profits. "Occasionally, however, these improvements more than compensate, during lengthened periods, for the deterioration in the quality of the soils successively cultivated".<sup>1</sup> In the following year, 1843, in the Preface to the third edition of his Principles of Political Economy, he suggests that such improvements could have long-term countervailing tendencies. Since "agricultural skill never remains the same for the smallest portion of time", improvements generated by it may retard "for any given period, the decreasing fertility of the soils to which recourse is necessarily had in the progress of civilisation".<sup>2</sup> Though McCulloch never ultimately abandons the doctrine of a falling profit rate, despite O'Brien's suggestion, he does modify it sufficiently to imply that the stationary state, though inevitable, is a very long way off. In line with his conception of economic growth, McCulloch allows inventions and improvements a much wider latitude (in their impact on progress and development) than most of his contemporaries.

As we saw in the previous section on wages, McCulloch employs a "psychological" concept of subsistence wages. Had he consistently appreciated that an increase in agricultural productivity did not necessarily entail an increase in population - compelling resort to an ever-widening margin - he would have been able to break the link between wages - wage goods - and population.<sup>3</sup> Habituation to a higher standard of living, contingent upon improvements in productivity and the necessary time-lag between the increase in the demand for

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(1) "Political Economy", EB7, p.302 (my emphasis).

(2) Preface to PPE, ed.3., 1843, pp.xiii-xiv.

(3) O'Brien, op.cit., pp.298-9.

labour and its potential satisfaction—could have abated the problem of diminishing marginal returns in agriculture.

Part of the problem with the classical economists' scenario for profit is the identification of wage goods almost exclusively with the produce of farming. McCulloch admits of the inclusion of products other than corn into the wage basket, and allows, therefore, for developments in machinery and processes within the manufacturing sector to reduce the price of goods, and affect the wages of labour.

Though wages should not have done more than preserve their former relation to corn ... the condition of the labourers may, notwithstanding, have been very materially improved; inasmuch as what they have not gained or lost in corn, they may have more than gained in their greater command over the many other things required for their subsistence and well being.<sup>1</sup>

Two final points should be made about McCulloch's treatment of profits, and that is, that firstly, an increase in wages may actually stimulate the capitalist to greater effort, having, therefore, a positive effect on growth,<sup>2</sup> and thus prevent a reduction in the profit rate through an increase in endeavour, and economy; and secondly, that profit rates are not only affected by alterations in the wage level. Rather changes in both taxation and productivity are significant. An alteration in the wage rate affects profits only where "the productiveness of industry and the burden of taxation remain stationary".<sup>3</sup> In other words, where "the same capital is employed, and the same quantity of produce has to be divided between capitalists and labourers", the share of one cannot be increased without the share of the other

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(1) McCulloch, "Political Economy", EB8, p.242. He also notes that it is a fallacy that labourers subsist on corn alone.

(2) See, "Philosophy of Manufacturers", Edinburgh Review, Vol.LXI, July 1835, pp.453-72, cited in O'Brien, op.cit., pp.298-9. O'Brien claims that this suggests that a wage rise is not necessarily seen to reduce profit. McCulloch's point, however, seems to be, not that wages and profits are not, on the whole, inversely related, but that a rise in wages might simply be a spur to greater endeavour.

(3) PPE, ed.5, 1864, p.458.

being diminished.<sup>1</sup> Discussing profits solely in terms of proportions is, McCulloch implies, inadequate. Profit should be explicated as a rate,<sup>2</sup> and this rate is affected by productiveness and taxation.

McCulloch exemplifies his position by demonstrating that, if a capitalist employs £1000 in cultivation of which £500 is earmarked for the payment of wages, and receives in return a product worth £1200, assuming he has no tax to pay, his profits comprise £200, being at the rate of 20 per cent, and are proportioned to wages as 2 to 5.

On the supposition that there is a universal doubling of the productiveness of industry, the additional £1200 earned is divided between the capitalist and the labourer in the proportion of 2 to 5. The capitalist receives an additional £343 profit, the labourer an additional £857 wages, thus indicating that whilst proportions remain unchanged - 2 to 5 - the rate of profit has actually increased from 20 to 54 per cent.<sup>3</sup> The rate of capital may, therefore, alter whilst the proportionate returns of capital and labour remain unaffected.

From the various amendments made by McCulloch, his theory of profit appears much less pessimistic than that of some of his compeers. The latitude he gave to the role of machinery, and innovation would appear to allow for a long term retardation of the stationary state.<sup>4</sup>

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(1) ibid., p.459.

(2) This is the same as Mill's point noted earlier.

(3) PPE, ed.1, 1825, pp.196-7.

(4) cf., Berg, The Machinery Question, pp.108-110.

### Conclusion

In chapter 2 we observed that Adam Smith was concerned, in his theory of distribution, primarily with the issue of the pricing of productive services, and the mechanism of resource allocation between competing uses; and also, though somewhat secondarily, with the question of the division of the aggregate product of industry between all those agencies cooperating in its production. The classical economists, however, were concerned principally with the issue of the sharing of the aggregate physical product of industry amongst all those agencies cooperating in its production. This concern resolved itself into the elucidation of three areas of distribution theory: the delineation of a theory of rent, a theory of wages, and a theory of profit.

The primary focus of the classical economists in each of these areas, was on the empirical question of how the rates of remuneration of each form of income was determined, and not on the more normative question of what justified a title to that income in the first place. A concern with the grounds of entitlement to income based upon the ownership of economic property was not, therefore, a central feature of the classical economists' theory of distribution, although as we shall see in Chapter 7 particularly, it did form a central theme of the anti-Ricardians' various critiques of the prevailing system of industrial capitalism.<sup>1</sup>

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(1) See below, chapter 7. Cf. also chapter 6.

The largely empirical theory of distribution was divided, as we observed, into three areas: rent, wages, and profit. According to the Ricardian system, rental payment was a function of differential fertility, and diminishing marginal returns in agriculture. It formed a species of income that was deemed to be price-determined, and not price-determining, and as such, extraneous to cost of production, or value-determination.

This explanation of rent, deriving in part from the simultaneous expositions of rent articulated by Sir Edward West and Thomas Malthus, and subject to considerable modification by Ricardo, became a central feature of the classical economists' theory of distribution.

James Mill, as we have demonstrated, largely reiterated, without qualification, this argument, whereas John Ramsay McCulloch, whilst largely rehearsing Ricardian orthodoxy, did extend the discussion of the impact of technological improvement upon the rate of rent, and the issue of the interest of the landlord, observing that the holders of the best land are disproportionately advantaged when improvements in agricultural technique occur, blunting to some degree the argument that saw the interest of the landed classes as, in fact, diametrically opposed to that of the rest of society.

As we propose to show in chapter 6, this differential explanation of rent was found wanting by Hodgskin, on the grounds that its very empirical bias failed to take account of the underlying, unnatural property base of that right, and that for Hodgskin, the interests of the landed classes were always seen to be in opposition to the interests of the labouring classes, depriving the latter, as they do, of equal access to the means of production.

In section 2 of this chapter we examined the classical economists' conception of wage-determination, a conception that was bifurcated to a long-term theory of natural (subsistence) wages, and a short-term theory of market wages based upon the idea of a wage-fund.

The long-term subsistence theory of wages advanced differed between authors in a number of ways. Firstly, the definition of the natural rate of wages advanced by Ricardo was largely static, whereas the definition offered by Malthus was, in fact, dynamic. Secondly, the concept of subsistence employed by Ricardo and Malthus differed from that utilised by McCulloch, for the former regarded subsistence largely in physiological terms, whereas McCulloch built into his notion of subsistence an important cultural dimension. And finally, the question of the relationship between population growth and subsistence levels received differing treatment, with only Malthus and McCulloch taking real account of the time-lag between the increase in demand for labour, and the satisfaction of that demand, and of the implications of this for habitination to a particular standard of living for the labouring classes.

The theory of market wages was principally couched, as we have evidenced, in terms of a wage-fund concept. In other words, market wages were seen to depend upon the ratio between the capital available for production, and the existing working population. As we demonstrated in section 2(ii), the underlying assumption of the wage-fund theorem was the idea of "seasonality", that is, the notion that the annual production cycle of agriculture forms the time parameter of the wage-fund. However, as we also demonstrated, the admission of non-agricultural goods into the wage-basket,

means that account must also be taken of products whose production period differs from that of raw produce. The implication of this move was, of course, that the wage-fund could no longer be seen as a fund, but rather as a flow of goods. This particular facet of the wage-theorem of classical political economy was singled out, by Hodgskin, for criticism. As we aim to show in chapter 7, Hodgskin's analysis of the claims of capital, in Labour Defended Against the Claims of Capital, consisted primarily in a refutation of the wage-fund theorem, and the correlative claim that the profit of the capitalist emerges, in part, because of the provision of the capital requisite to the maintenance of the labourer during production, as well, of course, as the provision of the capital necessary to production itself.<sup>1</sup>

In the final section of this chapter we were concerned with the issue of profit determination. Noting that profit was defined as interest, plus a risk premium, we observed that the classical economists failed to deal with the question of how profit itself emerges, focusing instead on the issue of how the rate of profit is determined. For Ricardo, two stages in the development of his theory of profit may be isolated. In the Essay on Profits, we noted, that the general level of profitability was determined by the rate of profit in agriculture, with that rate conceived as a simple product-ratio to wages. In the Principles, however, Ricardo modified this to the claim that it is the productivity of labour on marginal land - viz, no-rent

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(1) See below, chapter 7, section 2(ii)b.

land - that regulates general profitability throughout the economy, with the whole analysis framed by a theory of value. Given the assertion that there is a tendency for marginal returns in agriculture to diminish as society advances, the Ricardians, en masse, subscribed to the view that profit will tend to fall as society advances, leading to a variety of formulations of the theory of the stationary state, with the view advanced by Ricardo more noticeably pessimistic than the somewhat more optimistic picture presented by McCulloch. McCulloch, whilst initially of the view that the trend of diminishing returns in agriculture was inexorable, gradually modified this position, as we noted in section 3(iii)c, thus breaking the connection between wages - wage goods - and population, and the impact of the three on profit.

Hitherto our consideration of the classical economists has focused on the empirical factors of value determination and distribution, and has, as yet, failed to take account, in any great depth, of the proprietary notions underlying those theories.<sup>1</sup> In the next chapter, we aim to undertake just that. Following our consideration of the theories of property advanced by Jeremy Bentham and James Mill, will be an examination of the ideas about property held by the political economists.<sup>2</sup>

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(1) The one exception to this claim is, of course, our concern in chapter 3(1) to outline the links between value and property.

(2) See below, chapter 5, section 3.

Chapter 5: Property and the Utilitarians: Security versus Equality

In legislation, the most important object is security. Though no laws were made directly for subsistence, it might easily be imagined that no one would neglect it. But unless laws are made directly for security, it would be quite useless to make them for subsistence. You may order production; you may command cultivation; and you will have done nothing. But assure to the cultivator the fruits of his industry, and perhaps in that alone you will have done enough.

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Throughout the history of the idea of property the relationship between labour and property has been variously envisaged by different authors. Some, such as John Locke<sup>2</sup>, or Thomas Hodgskin<sup>3</sup>, have argued that only the expenditure of labour can generate an original and just title to property; whilst others, such as Jeremy Bentham and James Mill, as we shall see in this chapter, and William Thompson, as we shall demonstrate in Chapter 7,<sup>4</sup> have claimed that only the confirmation of the individual in the entire - or the greatest permissible quantity of the - fruits of his labour will produce that pattern of property distribution most conformable

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- (1) Bentham, Jeremy, Theory of Legislation, ed., Etienne Dumont, translated by R. Hildreth, 4th ed., (London, Trubner & Co., 1882), p. 98.
  - (2) Locke, John, Civil Government, II.v. esp.
  - (3) Hodgskin, Thomas, The Natural and Artificial Right of Property Contrasted, cf., Chapter 6 below.
  - (4) See below Chapter 7, section 1(ii). Thompson, William, An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness, (London, 1824); and Labour Rewarded: The Claims of Labour and Capital Conciliated, (London, Hunt & Clarke, 1827).
  - (5) This modification is necessitated by Mill's claim that: "The greatest possible happiness of society is ... attained by insuring to every man the greatest possible quantity of the produce of his labour", Mill, James, "Essay on Government", in Lively, Jack and Rees, John (eds.) Utilitarian Logic and Politics, (Oxford, Clarendon Press, 1978), p. 57.

to utility, and to the greatest preponderant reproduction of wealth. Thus, some have proclaimed that labour creates, ipso facto, a title to the produce of that labour independent of the ends promoted by confirmation of that title, whereas others have advanced more "instrumental" or "consequentialist" theories,<sup>1</sup> focusing on the ends to be promoted by a particular set of property arrangements.

This chapter is concerned explicitly with those ideas about property held by the Utilitarians, particularly in respect of the relationship between labour and the twin goals of security and equality. We will begin, in section 1, with an examination of the views advanced by Bentham himself, concentrating upon a number of conceptions: firstly, the interaction between concerns from security and equality, already alluded to; secondly, the notion of expectation; thirdly, the status of labour, and finally, the question of incentive, relating as it does to an important conception underpinning most classical economic writings, viz, that the efficiency of the economy is contingent (in part) upon security of property, which will form part of our concern in section 3.

In section 2, we are principally interested in James Mill's pronouncements upon the connections between security, property and government. Here particular attention will be paid to a number of themes: the relationship between labour, production and incentive; the question of security; the notion of the harmony of interests secured through market functions; and

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(1) Cf., e.g., Ryan, Alan, Property and Political Theory, (Oxford, Basil Blackwell, 1984), Introduction, pp.1-13; Reeve, Andrew, Property, (Basingstoke, Macmillan, 1986), p.112 ff.

lastly, the question of "desert".

Finally, section 3 of this chapter will be devoted to a survey of those ideas about property discernible in classical political economy, especially the notion that security of property forms a cornerstone of the efficient and optimal functioning of the economy. Also in this sphere we will be concerned to demonstrate that it is the essentially conservative account of property rights advanced by Bentham and James Mill that informs the classical economists' notion of distribution. In this section our primary source of material will be the writings of Thomas Malthus and John Ramsay McCulloch, although reference will also be made to a number of other authors.

Section 1: Bentham: Property, Security, and the Satisfaction of Expectations.

...Where the distribution of property and power is concerned, to keep things in the proportion in which they actually are, ought to be, and in general is, the aim of the legislator. His great purpose is to preserve the total mass of expectations as far as is possible from all that may interfere with their course.<sup>1</sup>

According to the natural rights theorists of the seventeenth and eighteenth centuries the right of property was seen to be a right innate in man (qua man), existing anterior to, and independent of law and government. For Bentham the case is quite otherwise. "Rights", he declares, are "the fruits of law and of law alone. There are no rights without law - no rights contrary to law - no rights anterior to the law".<sup>2</sup> And property is no exception: indeed, "property and law are born together and die together".<sup>3</sup> In other words, law alone is constitutive of property.

Central to Bentham's theory of property are three concerns: a concern with the notion of security, and its potential incompatibility with the end of equality; a concern with the notion of expectation, or the "disappointment-prevention principle",<sup>4</sup> and a concern with the establishment of that pattern

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- (1) Stark, W., (ed.), Jeremy Bentham's Economic Writings, (London, Allen & Unwin, 1952), Vol.3, p.198.
  - (2) Bentham, "Pannomial Fragments", in Bowring, J. (ed.), The Works of Jeremy Bentham, 11 vols, (Edinburgh, Tait, 1838-43), III, p.221.
  - (3) Bentham, Theory of Legislation. (ed.) Hildreth, R, 4th ed., (London, Trubner & Co., 1882), p.113.
  - (4) "Bentham on Humphreys' Property Code", Westminster Review, VI (1826), in Bowring (ed.), Works, V, pp.413-414. Cited in Rosen, Frederick, Jeremy Bentham and Representative Democracy: A Study of the "Constitutional Code", (Oxford, Clarendon Press, 1983), p.101.

of distribution most conducive to both utility and optimum economic productivity, which refers, in part, to an argument from incentive.

Our aim in this section, therefore, will be to elucidate Bentham's conception of property, with particular reference to the three concerns delineated above, examining also, in the process, the question of the status of labour within that conception.

Since Bentham's most comprehensive account of the formation of property rights is to be found in the somewhat dubious Theory of Legislation, it is on this treatise that we intend to focus, referring wherever apposite to other relevant works.

In chapter 1 of the "Principles of the Civil Code",<sup>1</sup> in his discussion of the general topic of rights and obligations, Bentham begins by observing that the creation, by law, of any kind of right inevitably implies the correlative creation of a duty or obligation. Whilst the creation of a right is the creation of a means of pleasure, the generation of an obligation implies the generation of pain. Thus, since the creation of rights and duties necessarily entrenches upon liberty, and since any restriction upon liberty itself also evokes sentiments of pain, "it follows ... that no restriction ought to be imposed, no power conferred, no coercive law sanctioned, without a sufficient and specific reason".<sup>2</sup> Whilst the pursuit of pleasure may be left to the individual, the end of government is to

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(1) "Principles of Legislation" forms the first part of the Theory of Legislation, whilst "Principles of the Civil Code" forms the second.

(2) Bentham, Theory of Legislation, p.94.

promote "the greatest possible happiness of the community", through the minimisation of pain to the individual, which it does exclusively through the creation of rights. Legislative interference accords, then, with the principles of utility only when the right created by government confers a greater benefit than the non-imposition of the duty or obligation would have done.<sup>1</sup> In his exposition of the formation of the right of property, therefore, Bentham must demonstrate clearly how that right is seen to benefit society at large. As we observed in our introduction to this chapter, and as will become particularly clear in our elucidation of James Mill's views on property, theories of property are not only concerned with the just bases of entitlement, but also with the more consequentialist question of the goals to be promoted by a particular pattern of property diffusion, and Bentham is no exception here, for as we will now demonstrate, he is especially interested in those property arrangements most conducive to the maximisation of both utility, and production.

The ends of civil law are four-fold: "to provide subsistence; to produce abundance; to favour equality; to maintain security".<sup>2</sup> The inclusion of both subsistence and abundance within this short catalogue of the constituents of happiness seems to be somewhat superfluous, for, by implication, the attainment of abundance means the attainment of subsistence, and indeed Bentham seems to acknowledge this point when he declares that "subsistence ... is included in abundance".<sup>3</sup> However, it quickly becomes

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1. Ibid., pp.94-5

2. Ibid., p.96.

3. Ibid., p.96.

apparent that the economic, and general utilitarian objectives promoted by the pursuit of these separate goals are different.

The acquisition of subsistence is a goal that mankind naturally aspires to. Nature itself has created motives sufficient to induce men to labour; all that legislation can do is add to "the constant and irresistible power of these natural motives", by "protecting men while they labour, and by making them sure of the fruits of their labour".<sup>1</sup> In other words, as we shall see below, security of property, reinforcing man's natural expectation of the enjoyment of the fruits of his labour, generates a sufficient incentive to spur man on to that labour, whatever.<sup>2</sup>

The benefits consequent upon the attainment of abundance are, however, of a totally different nature. It does not matter to Bentham that the achievement of opulence may be limited to the few, for the advantages attendant upon that achievement are still of social import. Firstly, a society in which inequality of property exists is a society which has sufficient resources to cope in time of crisis. "Countries in which luxury abounds, and where governments are enlightened, are above risk of famine".<sup>3</sup> Secondly, "the laws, in creating riches, are the benefactors of those who remain in the poverty of nature", for "all participate more or less in the pleasures, the advantages, and the resources of civilized life".<sup>4</sup> In other words, inequality of fortune, as proof of the operation of the law of security

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(1) Ibid., p.100.

(2) Cf., Ibid., p.114.

(3) Ibid., p.102. Cf., Ryan, Alan, Property and Political Theory, (Oxford, Basil Blackwell, 1984), pp.95-96.

(4) Theory of Legislation, p.114.

rather than make more miserable the life of the poor man, in fact, places him amongst the "candidates of fortune",<sup>1</sup> by showing him that he too will be able to enjoy the fruits of his labour in peace. We will return to this link between property and incentive shortly.

As we have observed, underlying both Bentham's considerations of subsistence and abundance is a concern with security. Although he proclaims the objectives of civil law to be four-fold, it quickly becomes apparent that a hierarchy of importance exists amongst those objectives, with equality and abundance regarded as somewhat secondary to subsistence, and particularly security.

Security is qualitatively differentiated from the three other objectives outlined above, for it alone embraces the future. Just exactly what Bentham understands by the notion of security will be our next object of inquiry.

In legislation, Bentham asserts, "the most important object is security".

Though no laws were made directly for subsistence, it might easily be imagined that no one would neglect it. But unless laws are made directly for security, it would be quite useless to make them for subsistence. You may order production; you may command cultivation; and you will have done nothing. But assure to the cultivator the fruits of his industry, and perhaps in that alone you will have done enough.

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(1) Ibid., p.114.

(2) Ibid., p.98. Cf. Schlatter, Private Property, p.246; Ryan, op.cit., p.98.

This appears as a simple argument from incentive. Secure to labour the full fruits of its industry, and you will create a sufficient motive for men to engage in that labourious activity to which they are naturally averse.<sup>1</sup> For although men may be naturally inclined to seek their own subsistence, in the absence of legislation that subsistence may be uncertain,<sup>2</sup> and men may in fact neglect their duty to labour,<sup>3</sup> depriving others, through force, of the produce of their labours.<sup>4</sup> Law alone, Bentham proclaims, can "create a fixed and durable possession which merits the name of property". It alone can

... accustom men to bow their heads under the yoke of foresight ... Nothing but law can encourage men to labours superfluous for the present, and which can be enjoyed only in the future. 5

Unlike authors such as Locke,<sup>6</sup> Hodgskin,<sup>7</sup> and Nozick,<sup>8</sup> who see labour as conferring a natural title to property, Bentham sees the distribution of property according to labour expenditure as a counsel of utility. Law, he declares, does not say "Labour, and I will reward you" - as implied in a labour theory of first acquisition - but says:

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- (1) Theory of Legislation, p.114.
  - (2) Ibid., p.109
  - (3) Ibid., p.110.
  - (4) Ibid., p.110.
  - (5) Cf., Locke, Civil Government, II, ch.v.
  - (6) See below, chapter 6, for a consideration of Hodgskin's natural rights theory of property, which begins from an openly anti-Utilitarian stance.
  - (7) Nozick, Robert, Anarchy, State, and Utopia. (Oxford, Basil Blackwell, 1974).

Labour, and I will assure to you the enjoyment of the fruits of your labour - that natural and sufficient recompense which without me you cannot preserve; I will insure it by arresting the hand which may seek to ravish it from you. 1

Law will, therefore, secure property. Fundamental to his case is the notion of expectation. Man, Bentham observes, is different to the animals, for man lives not only in the present, but in the future also. He is susceptible of pains and pleasures "by anticipation".<sup>2</sup> It is not sufficient simply to protect him against present loss, but also to secure him against future loss. Law must seek, therefore, to guarantee against the disappointment or frustration of expectation.

Property, for Bentham, "is nothing but a basis of expectation", namely the expectation of deriving certain advantages from our possessions.<sup>3</sup>

As he observes elsewhere:

Expectation is the basis of every proprietary right: It is this which affords whatever occasion there can be for giving a thing to one man rather than another. 4

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- (1) Theory of Legislation, p.110 (Original emphasis)
- (2) Ibid., p.110 Cf., Halévy, Elie, The Growth of Philosophic Radicalism, translated by Mary Morris, (London, Faber & Faber, 1928), p.46.
- (3) Theory of Legislation, p.112.
- (4) Bentham, MSS., University College, London, Box 29, p.6. Cited in Long, D.G. "Bentham on Property", in Parel, Anthony and Flanagan, Thomas (eds.), Theories of Property: Aristotle to the Present, (Ontario, Wilfrid Laurier UP, 1978), p.226.

In other words, property is not a "physical reality but a belief set up as a certainty"<sup>1</sup>, "an established expectation".<sup>2</sup>

The species of expectation identified by Bentham are two-fold: there are those expectations created by law - such as that of property - and those expectations which exist naturally, but precariously, such as the expectation of the savage in the enjoyment of the deer he has caught, provided he can keep that knowledge quiet.<sup>3</sup> What law does with property, then, is generate an expectation of both current and future enjoyment. Man can be induced to labour; he can, as it were, overcome his natural aversion to labour",<sup>4</sup> if he is secured in the enjoyment of what he creates thereby.

Violations of property, productive of insecurity are, Bentham counsels, socially and individually debilitating in a number of ways. Firstly, there is the "evil of non-possession", for if the acquisition of a portion of

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(1) Halévy, op cit., p.46.

(2) Theory of Legislation, p.112.

(3) Ibid., pp.112-113.

(4) Labouring as an activity was regarded universally by the Utilitarians as incurring disutility; it was seen as a necessarily unpleasant task. This view of labour may be contrasted with that of John Francis Bray, for example, who, as we shall see in chapter 7, section 1(i), claimed that labouring when based upon natural principles was not the debilitating practice it was under the prevailing capitalist system, but, in fact, "a blessing", "the one great preservative of intellectual and corporeal health", Bray, John Francis, Labour's Wrongs and Labour's Remedy: The Age of Might and the Age of Right, (Leeds, Green, 1839), pp.43-44. Cf., Reeve, op cit., p.122.

wealth is good, it follows that its non-possession is an evil, and so the loss of a portion of good, even if we are unaware of that loss, is still a loss, and denies to us all the happiness that may have resulted from its possession.<sup>1</sup> Secondly, there is the "pain of losing". "Everything which I possess, or to which I have a title, I consider in my own mind as destined always to belong to me", it forms the basis of my expectation, and hopes.<sup>2</sup> To lose that property generates pain, and disutility through the frustration of expectations. Thirdly, the "fear of losing" one's property can also generate disutility, for feelings of insecurity render less enjoyable the possession of that property which we still have.<sup>3</sup>

Finally, and perhaps most interestingly, one ramification of the violation of security of property, is the "deadening of industry". If a person lacks certainty in the enjoyment of the fruits of his labour, he will, Bentham surmises, seek only to exist from day-to-day. He will desist from labouring to secure more than the bare necessities of life.<sup>4</sup>

Of the four forms of violation referred to, the last two have social implications, because by both is a general feeling of alarm and fear diffused throughout society. A transitory calamity destructive of the productive capital of the nation will not destroy the spirit of industry. However, men will be disinclined to labour if the existing right of property is systematically violated by the incursions of a "tyrannical government, bad legislation, [~~or~~] an intolerant religion which drives men from the country".<sup>5</sup>

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(1) Theory of Legislation, p.115.

(2) Ibid., p.115.

(3) Ibid., p.116.

(4) Ibid., p.116.

(5) Ibid., p.117.

Hitherto, we have focused on the issue of security and the connection between that security and man's incentive to labour, observing that it is the institution of the right of property that has overcome his innate desire "to enjoy without labour".<sup>1</sup>

However, one of the most interesting areas of the Benthamic treatment of property concerns the tension between the objectives of security and equality. Before considering that tension, we must examine Bentham's conception of equality as it relates to property and the enjoyment of wealth. Whilst one is ultimately compelled by the weight of argumentation to follow, as Frederick Rosen notes,<sup>2</sup> A.J. Ayer's assertion that Bentham "held, as he must have held to be at all consistent, that the right action was that which produced the greatest measure of happiness, no matter how it was distributed",<sup>3</sup> there is a sense in which to ignore the egalitarian implications of Bentham's rendition of the law of diminishing marginal utility would be to underplay an important consideration in his account of future legislation, and future expectation.

Equality, Bentham notes in the Theory of Legislation, may be considered in a number of different lights in relation to the advantages conferred by law - thus one can examine political equality (or the equality of political rights) or civil equality (the equality of civil rights). In the Theory, by comparison, Bentham is concerned with that species of equality relative to the distribution of property.<sup>4</sup>

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(1) Ibid, p.114.

(2) Rosen, Bentham and Representative Democracy, p.211.

(3) Ayer, A.J., "The Principle of Utility", in Keeton, G.W., and Schwarzenberger, G., (eds.), Jeremy Bentham and the Law, (London, 1948), p.250, cited in Rosen, op. cit., p.211.

(4) Theory of Legislation, p.97n.

Considering three cases of the effect of a portion of wealth upon the happiness of the individual, Bentham concludes that greater happiness is achieved where wealth is more evenly distributed.<sup>1</sup> The three cases are as follows: the first concerns the possession of wealth. "Each portion of wealth has", he declares, "a corresponding portion of happiness",<sup>2</sup> and thus whoever possesses the greatest quantity of wealth, will possess the means to the greatest happiness. Whilst it appears that the accumulation of wealth is always capable of increasing the quantity of happiness, the relationship between quantity of wealth and quantity of happiness does not increase incrementally at the same rate.<sup>3</sup> The King with as much wealth as that of all the farmers of his Kingdom combined will experience greater happiness than the average happiness of the thousand farmers:

...but it is by no means probable that it is ...  
a thousand times greater than the average happiness  
of one of them. It would be remarkable if his happiness  
were ten times or even five times greater. 4

A man born to opulence is, Bentham proclaims, less sensible of the pleasures of that opulence, than he who has acquired it by his own labours.<sup>5</sup> As Rosen notes, Bentham utilises this argument to demonstrate that the more egalitarian the pattern of property distribution throughout society, the greater the preponderance of happiness, for more will approach the situation of the artisan, than that of the king.<sup>6</sup>

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(1) Ibid, pp.103-109. Cf. Rosen, op cit., pp.214-216; Halévy, op cit., pp.48-51; Ryan, op cit., pp.100-109.

(2) Ibid, p.103, (Original emphasis).

(3) Ibid., p.104.

(4) Ibid., p.105.

(5) Ibid., p.105.

(6) Rosen, op cit., p.214.

With regard to the acquisition of wealth - the second case - Bentham makes three points. Firstly, "a portion of wealth may be so far divided as to produce no happiness at all for any of the participants", when for example, that portion is less than the smallest coin of the realm .<sup>1</sup> Secondly, and more importantly from our perspective, the greater the equality of distribution in a case where fortunes are equal, the greater the total mass of happiness, whereas, (thirdly), in that case where fortunes are unequal, the more the distribution of new wealth promotes equality the greater the resulting mass of happiness. Again, the generation of greater equality is seen to create a greater total mass of happiness.<sup>2</sup>

Bentham's final example examines the effects of unforeseen loss. Here he argues that:

The loss of a portion of wealth will produce, in the total happiness of the loser, a defalcation greater or less, according to the proportion of the part lost to the part which remains,

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asserting that, initially, the loss of a quarter of a man's wealth will necessarily entail the loss of a quarter of his happiness. This view is immediately qualified, however. There are cases in which the loss of fortune is not accompanied by a proportionate loss of happiness. If, for example, in losing three-quarters of his fortune a man is deprived of the means necessary to his support, whilst when deprived of only half of that fortune, he is not similarly affected, the defalcation of happiness, instead

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(1) Theory of Legislation, p.105. (Original emphasis)

(2) Underlying this claim is, of course, the view that the existence of diminishing marginal utility renders any inequalitarian distributive practice productive of less proportionate happiness. Cf Rosen, op cit., p.215; Halévy, op cit., pp.49-50.

(3) Theory of Legislation, p.106. (Original emphasis).

of being twice as great in the first case as the second, will, in actuality, be much greater. Circumstantial considerations must, therefore, be taken into account. Assuming that this first proposition is tenable, and assuming equality of distribution, Bentham concludes that the greater the number of persons amongst whom this loss is shared, the less the sum of the defalcation of happiness. If those party to the loss are of a sufficient number, then reduction in the sum total of happiness will be almost impalpable.<sup>1</sup>

Similarly, and finally,

Fortunes being unequal, the loss of happiness produced by a given loss of wealth will tend to become less in proportion as the distribution of the loss shall tend towards the production of an exact equality.

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Abstracting from the issue of either security, or the disappointment of expectations, Bentham is able to demonstrate that the propensity of mankind to derive quantitatively equivalent amounts of happiness from the same amount of wealth means that the greatest happiness principle is best promoted by an egalitarian distribution of wealth. The problem is, however, what to do about the inherently inegalitarian pattern of property prevailing in society at present, for as we have seen property generates

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(1) This leads him to look favourably upon those policies of insurance which distribute losses among such a large number of associates as to make such losses very light. Ibid., p.107.

(2) Ibid., p.106. (Original emphasis).

expectations, both present and future, which must not be disappointed if that security of property is to prevail which provides the only sufficient incentive to production.

Any redistribution of income, in favour of equality, which requires that the gain of one individual is the loss of another, is productive of disutility, Bentham urges, for the disappointment of loss is greater than the pleasure of gain.<sup>1</sup> According to security, the legislator ought, therefore, (with regard to existing property) to maintain the distribution as it is actually established.

There is nothing more different than the state of property in America, in England, in Hungary, and in Russia. Generally, in the first of these countries, the cultivator is a proprietor; in the second, a tenant; in the third, attached to the glebe; in the fourth, a slave. However, the supreme principle of security commands the preservation of all these distributions, though their nature is so different, and though they do not produce the same sum of happiness. 2

This counselling against governmental (or legislative) interference with the existing pattern of distribution echoes Bentham's view in Supply Without Burthen: or Escheat Vice Taxation, (1795), where he declares a "revolution in property":

It is an idea big with horror ... it involves the idea of possessions disturbed, expectations thwarted: of estates forcibly ravished ... of the fruits of industry made the prey of rapacity and dissipation. 3

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(1) Cf. Ibid., p.108.

(2) Ibid., p.119.

(3) Stark (ed.), Economic Writings, I, 318. Cited in Long, art.cit., p.226

Wherever security and equality are in conflict, therefore, equality must yield, for on security does the foundation of life depend. Only where property is secure will industry be secure, and only where industry is secure will the welfare of society be secure. Although the goals of security and equality are apparently in conflict in present circumstances, Bentham argues that there is a means of uniting them, namely in the "epoch of death".<sup>1</sup> Time, it appears, is the only mediator between these contrary interests:

When property by the death of the proprietor ceases to have an owner, the law can interfere in its distribution, either by limiting in certain respects the testamentary power, in order to prevent too great an accumulation of wealth in the hands of an individual; or by regulating the succession in favour of equality in the cases where the deceased has left no consort, nor relation in the direct line, and has made no will. 2

In this instance no expectations are being frustrated for there is no one who has anticipated the enjoyment of this property. Government interference with property is justifiable, then, only when such interference cannot thwart existing expectations. Thus, changes in the constitution of property will only take place at a future point in time when the conditions giving rise to current expectations no longer prevail.<sup>3</sup>

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(1) Theory of Legislation, p.122.

(2) Ibid., p.122.

(3) Cf., Ibid., pp.148-149.

Do you find it necessary to establish a law contrary to the actual expectations of men? If it is possible, you should so arrange matters that this law will not begin to take effect except at a remote period. The present generation will not feel the change, and the rising generation will be prepared for it ... Everything will become easy to you, because you will have prevented the birth of those expectations which otherwise you would have been compelled to contradict. 1

Bentham does not preclude, therefore, the possibility that at some future date property may be distributed according to more egalitarian principles. He simply contends that under current circumstances security of property depends upon confirmation of existing expectations.

One final point needs to be made before moving on to consider James Mill's ideas about property, namely, that whilst generally opposed to governmental interference with the prevailing pattern of distribution, Bentham is prepared to countenance it under the guise of collecting revenue for the functions of government. Though the extraction of part of labour's product for that end is mildly productive of disutility, the fixed, regular and anticipated intervals at which it takes place prevent this practice operating as a disincentive to industry,<sup>2</sup> for clearly security of property is contingent upon the existence of governmental organs to protect that property, and to punish those who transgress that right.

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(1) Ibid., p.149.

(2) Ibid., pp.124-126.

Labour in the Benthamic account of property, is rewarded, as we have seen with the full fruits of its endeavour for the express reason that such an attribution of property alone can maximise both utility and production. Labour, per se, has no special proprietary status.<sup>1</sup> We will see, in the following section, a similar argument deployed in Mill's "Essay on Government", and it is to this that we now turn.

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(1) Cf., Ryan, op cit., p.110.

Section 2: James Mill: Conceptions of Property in the "Essay on Government"

Of the laws of nature, on which the condition of man depends, that which is attended with the greatest number of consequences, is the necessity of labour for obtaining the means of subsistence, as well as the means of the greatest part of our pleasures. 1

James Mill was concerned in the "Essay on Government" to show that the existence of scarce resources, the necessity of labour to obtain those resources, and the inherent propensity of the strong to both oppress and expropriate the weak, required the inauguration of government, for only under a system of law and order could utility - "the greatest happiness of the greatest number"<sup>2</sup> - be promoted, and production ensured. How Mill arrived at that conclusion provides the focus of our analysis. In this section, therefore, we will be concerned to examine Mill's explanation of the origin of government concentrating specifically upon the role of property within that explanation.

Man, as we discovered from our treatment of Bentham's theory in section 1, is rendered, in utilitarian philosophy, as the slave of two principles - pain and pleasure.<sup>3</sup> He is motivated in his conduct by a desire to maximise his pleasure and to minimise his pain. His happiness -

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- (1) Mill, "Essay on Government", p.56. The edition of the "Essay" referred to throughout this dissertation, is, unless otherwise specified, the 1824-5 edition. Cf. Lively and Rees, Introduction to Utilitarian Logic and Politics, pp.51-52.
- (2) Ibid., p.55.
- (3) Cf., Bentham, Morals and Legislation, (Burns and Hart edn.) p.11.

or welfare - corresponds, therefore, "with the degree in which his pleasures are great and his pains are small".<sup>1</sup>

Since the world of economic resources which man inhabits is not a world of plenitude and abundance, but a world of scarcity, he must, as the quotation at the beginning of this section suggests, engage in laborious undertakings if he is to acquire the stuff of his pleasure. Moreover, since the materials of pleasure are scarce, it is inevitable that men will come into conflict as they compete to appropriate as much as they can. This scenario introduces us to two important points: (i) a concern with the nature of labour and the conditions under which maximum labour may be marshalled in order to ensure continued production; and (ii) a conception of human nature necessarily involving contrariety, and ambition at its centre.

We observed in the previous section that labour was regarded by the Utilitarians as necessarily irksome, a source of pain, and, as such, productive of disutility for all those compelled to submit to it.<sup>2</sup> The problem for Mill, then, is to demonstrate how the disutility of labour may be overcome in order to use, to maximum efficiency, the scarce resources of nature.<sup>3</sup> In other words, Mill must show how sufficient labour may be acquired in order to ensure that mankind may "obtain all

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(1) Mill, "Essay on Government", p.56.

(2) Cf., Bentham, Theory of Legislation, pp.113-114.

(3) Cf., Reeve, Property, pp.116-117.

the objects of desire in the greatest possible quantity".<sup>1</sup> He must, as it were, reveal the "means for the insuring of labour".<sup>2</sup> Discounting the use of force, on the grounds of its production of preponderant disutility,<sup>3</sup> Mill argues that only "allurement" is sufficient to overcome man's natural aversion to labour.

To obtain all the objects of desire in the greatest possible quantity, we must obtain labour in the greatest possible quantity; and to obtain labour in the greatest possible quantity, we must raise to the greatest possible height the advantage attached to labour. It is impossible to attach to labour a greater degree of advantage than the whole of the product of labour ... The greatest possible happiness of society is, therefore, attained by insuring to every man the greatest possible quantity of the produce of his labour.

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The only incentive, therefore, capable of subjugating man's innate disinclination to labour is the enjoyment of an exclusive right of property in the fruits of his labour. To distribute property in a fashion other than according to exertion would be to create disutility, for "if you give more to one man than the produce of his labour, you can do so only by taking it away from the produce of some other man's labour".<sup>5</sup>

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(1) Mill, "Essay on Government", p.57.

(2) Ibid., p.56.

(3) Ibid., pp.56-7.

(4) Ibid., p.57.

(5) Ibid., p.57.

In terms, therefore, of ensuring optimum utility - in this case, guaranteeing the welfare of society - security in the produce of industry alone is capable of achieving that goal. It is important to make, briefly, two observations: firstly, that the remuneration of labour according to its expenditure is not an argument from "desert" - Mill is not proclaiming that labour has any claim to remuneration purely because the labourer deserves reward; and that secondly, although the language seems to imply it, Mill is not suggesting that the labouring man has a right to the whole produce of his labour. In fact, Mill, in a letter to Brougham, does just the opposite, referring to the nonsense "about the right of the labourer to the whole produce of the country", propagated in socialist thinking and the working-class press.<sup>1</sup> As we shall see shortly, the notion of the security of property, which is fundamental to Mill's argument, is a notion which applies just as strictly to the property of the capitalist and the landlord as it does to the property of the labourer, and this feature is directly related to the classical economists' general belief in the harmonisation of the varying interests of society through the mechanism of the market.<sup>2</sup>

Earlier we mentioned that Mill was concerned not only with the problem of the mobilisation of labour, but also with the issue of the conflict generated by resource scarcity, and it is on this latter point that we now intend to focus. According to Mill man is motivated by a desire

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(1) Mill to Brougham, 3 Sept., 1832, cited in Lively and Rees (eds), Utilitarian Logic and Politics, p.47.

(2) Ricardo forms an obvious exception here. See above, chapter 4.

to maximise his own welfare. One conclusion of this is, as we have just seen, that man's incentive to labour is proportioned to the degree to which he receives the produce of his efforts - to the degree to which he is secure in his expectation of the enjoyment of that produce.<sup>1</sup> The problem is, however, that there is an innate propensity in mankind for the strong to oppress the weak : man is under a continual temptation, in his acquisitiveness, to take those objects of desire he wants from those, weaker than himself, who already possess them. We are dominated, it appears, by that "grand governing law of human nature", which declares that we are activated by a desire to amass a sufficiency of "that power which is necessary to render the persons and properties of human beings subservient to our pleasures".<sup>2</sup>

Obviously there is a possible tension here between the labour-incentive theory adumbrated by Mill, which is founded upon an argument from security; and this conception of human nature, which implies that, unless otherwise restrained, man will tend to act in such a way as to generate insecurity.

Security of property, the mobilisation of labour, and indeed the very continued existence of society,<sup>3</sup> depend upon curbing this ambitious propensity of mankind, and, in Mill's opinion, the only organ capable of

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(1) Cf., Ryan, Alan, "Two Concepts of Politics and Democracy: James and John Stuart Mill", in Fleisher, Martin, (ed.), Machiavelli and the Nature of Political Thought, (London, Croom Helm, 1973), pp.83ff.

(2) Mill, "Essay on Government", p.63.

(3) Ibid., p.62.

such restriction is government. And so it seems that the express end of government is the maintenance of property. Indeed, in the 1820 edition of the "Essay", for the Supplement to the fifth edition of the Encyclopaedia Britannica, Mill observes, in a footnote, the conformity of his view with that of John Locke:

It may be remarked that the conclusion to which we have thus arrived coincides exactly with the doctrine of Locke:- "The great and chief end", says he, "of men's uniting into Commonwealths, and putting themselves under Government, is the preservation of their property" ... This the more certainly appears, when it is considered that by far the greater part of injuries to person, committed by human beings, are, in some way or other, on account of property. 1

Only the operation of government can secure that pattern of property distribution most conducive to social welfare and optimum utility. Before reviewing briefly Mill's theory of representation, however, we propose to consider a number of themes pertinent to his ideas about property, beginning with the notion of security.

Security formed the cornerstone of the Benthamic system of property delineated above;<sup>2</sup> and as we saw then, security, in part, was seen to consist in the absence of thwarted expectations. Indeed, property, for

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(1) Ibid., p.57n.

(2) Cf., Section 1.

Bentham, was largely conceived as founded in expectation. The aim of the legislator was to "preserve the total mass of expectations as far as is possible".<sup>1</sup>

Although James Mill does not couch his account of property in the language of expectations, it is clear that it is that notion which underwrites his argument from incentive. Labour will only be forthcoming if the benefits attached to its expenditure are guaranteed. If those expected gains are frustrated, labour's motivation will be destroyed. Thus, Mill observes:

It is sufficiently obvious, that, if every man is liable to be deprived of what he possesses ... the existence of property is impossible; and, if the existence of property is impossible, so also is that of labour, of the means of subsistence for an enlarged community, and hence of the community itself. 2

Mill is here concerned, not only with individual deprivations on the property of others, but also with governmental incursions upon the property of the governed. Unlike Bentham, who actually counsels government against any levelling redistributive practices,<sup>3</sup> Mill is less explicit, though no less strongly attached to security. Any interference with security of property - even governmental - is potentially destructive of

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(1) Stark, (ed.), Jeremy Bentham's Economic Writings, vol.3, p.198.

(2) Mill, "Essay on Government", p.62.

(3) See above, section 1.

motives to produce, and ultimately of society, and thus to be avoided.

The second point of note relating to Mill's account of property concerns the doctrine of the harmonisation of interests through the mechanism of the market. The question here is: How can the potentially conflicting interests of all the individuals comprising society be accommodated in order to ensure optimum utility and the maximum reproduction of wealth? The answer is provided by the doctrine of the identity of interests commonplace in classical economic thought.

Initially, Mill's announcement that the greatest advantage attachable to labour is the enjoyment of "the greatest possible quantity of the produce of ... labour"<sup>1</sup> seems to be an egalitarian doctrine. To the modern reader it may well suggest that the labouring classes should receive the full fruits of their exertions, (i.e., the whole of the national product), a view which necessarily conflicts with the position of classical economics that the whole produce of industry is annually divided between labour, capital and land. However, it is important to note, first, that Mill's belief in the security of property, and in the non-interference of government in the property system, led him to sanction the existing pattern of distribution; and second, that Mill, whilst acknowledging that those who labour most frequently receive least,<sup>2</sup> actually felt that the interests of all were harmonised under the present system. The market, it appeared, already had the capacity to reconcile competing interests. Thus, as Ryan has shown, according to classical

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(1) Mill, "Essay on Government", p.57.

(2) Cf., Ryan, Property and Political Theory, p.91.

political economy, in a perfect market, all factors would be (and were) rewarded precisely according to their worth in the market at large - abstracting the case of rent - so that only a free market could ensure to every individual the proper share of the fruits of his industry.<sup>1</sup> This point can be illustrated by a brief consideration of the view of the relationship between capital and labour espoused by Mill in the Elements.<sup>2</sup> Although later writers were to regard labour's reliance upon capital for the exercise of its industrious capacity as necessarily exploitative, and as evidence of an inherent conflict of interest,<sup>3</sup> James Mill saw this relationship as one of reciprocity, with the prosperity of each class necessarily interlocked with that of the other. As we noted in Chapter 4, classical political economists advanced a conception of market wages which treated capital as demand for labour; thus labour was dependent upon capital for its employment, and since only an increase in capital, deriving from profit, could lead to an increase in wages, the fortunes of the labourer were inextricably allied with those of the capitalist. If the rate of capital accumulation was slower than the rate of population growth, the market wages of labour would drop unavoidably to mere subsistence level.<sup>4</sup>

- (1) Ryan, "Two Concepts of Politics", p.84.
- (2) Cf., Lively and Rees, Introduction to Utilitarian Logic and Politics, pp.45-46; and, Mazlish, Bruce, James and John Stuart Mill, (London, Hutchinson, 1975), p.101.
- (3) Cf., Macpherson, C.B., "The Economic Penetration of Political Theory", JHI, 39 (1978), pp.101-118. Macpherson endeavours in the article to argue that Mill was actually aware of the exploitative nature of market society, and that although not made explicit in the Elements does, in fact, underwrite Mill's conception of wages (pp.110-111). Although Mill does make an important comparison between wage labour and slave labour (see above, chapter 4, section 2). Macpherson's claim seems a little too radical for anything found elsewhere in the Elements.
- (4) Mill, Elements of Political Economy, (1844, repr.), pp.8-19. Cf., Lively and Rees, op cit., p.46.

The labourer has, therefore, an interest in the capitalist's acquisition of profit, and the preservation of the existing pattern of property distribution can be seen to be in the interests of all. Both the labourer and capitalist are allocated their due rewards according to prevailing market conditions.

Our final remark concerning property is an attempt to reinforce a point made earlier with regard to Bentham, namely, that the concept of desert or just reward plays little or no part in Utilitarian accounts of property.<sup>1</sup> Mill's contention that the best way to motivate an individual to labour is to guarantee to him the maximum permissible proportion of the produce of his labour is not to claim that labouring ipso facto creates a title to that property. The importance accorded to labour in proprietary considerations was simply a consequence of Mill's concern with the attainment of that pattern of property distribution most conducive to utility, which, of course, includes continued production.

Having focused hitherto on the role of ideas about property in Mill's analysis of the reasons for government, it is our aim now to consider, briefly, Mill's theory of representation, since it was Mill's assertion that only through the system of representative government could the system of property be secured.

It was Mill's contention in the "Essay on Government" that every man was motivated by a desire to acquire that power requisite to subordinate the possessions and persons of others to his will. The problem is, of course, if this is true of man per se, will it not also be true of

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(1) Ryan, Property and Political Theory, p.91.

governments?

Whatever would be the temptations under which individuals would lie, if there was no Government, to take the objects of desire from others weaker than themselves, under the same temptations the members of Government lie, to take the objects of desire from the members of the community, if they are not prevented from doing so.

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Mill's problem is, therefore, to show how government may be restrained from such deprivations. His answer lies in the concept of representation, and a belief in the necessary identity of interest between rulers and ruled.<sup>2</sup>

Mill begins by rejecting direct democracy. Even though the interests of the governed and the governors are necessarily one and the same, direct democracy is impractical in modern society. The performance of its legislative, judicial and executive functions would be rendered operose by the very size of the popular assembly.<sup>3</sup> Mill then discounts aristocratic and monarchic forms of government for the very reason that both develop "sinister interests" contrary to those of the governed, and tend therefore to act in opposition to the interests of the community.<sup>4</sup>

Mill's conclusion is that the only form of government capable of both restraining the avaricious propensities of its citizens, and capable itself of being restrained, is representative democracy, in which the elected delegates are accountable to the people - defined as a fairly narrowly enfranchised electorate - at regular electoral intervals.<sup>5</sup> He is

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(1) "Essay on Government", p.58.

(2) Cf., Lively and Rees, op cit., p.8.

(3) Ibid., p.59.

(4) Ibid., pp.59-61.

(5) Mill spends a considerable amount of time debating both franchise qualifications and the duration of the term of office of the elected representatives. Ibid., pp.77-87. It is Jack Lively's contention, however, that Mill was assumed by his contemporaries, to be advocating universal (male) suffrage. Cf., "Introduction; Utilitarian Logic and Politics, pp.38, 43.

proposing as it were, a plan of "permanent service with perpetual power of removal".<sup>1</sup> Government would be prevented from abusing the powers invested in it through a system of checks founded upon the frequent re-election of its members. Depending upon their performance in the interval between elections, in promoting the common interest of society, representatives would either be returned to, or ousted from, power, so that only those acting in conformity with the general utility would be allowed to govern.

The question of the electoral franchise is an interesting one. As we noted briefly, it is explicit in Mill's scheme that the electorate should have interests identical with those of the rest of the community. A too restricted franchise would thus encourage sectarianism, whilst a too extended one would simply be unnecessary, for all those persons whose:

... interests are indisputably included in those of other individuals, may be struck off without inconvenience. In this light may be viewed all children, up to a certain age, whose interests are involved in those of their parents. In this light, also, women may be regarded, the interest of almost all of whom is involved either in that of their fathers or in that of their husbands.

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(1) Ibid., p. 77.

(2) Ibid., p. 79. Cf., Thompson, William, An Appeal of One-half the Human Race, Women, against the Pretensions of the Other Half Men, to Retain Them in Political, and thence in Civil and Domestic Slavery, (in collaboration with Anna Wheeler), (London, 1825 - reprinted by Virago Books, London, 1983).

Whilst the argument about a limited franchise is obvious, this latter notion of virtual representation is less so. Whilst it does not appear that Mill was opposed to universal suffrage (per se), he is apparently satisfied that a more restricted electorate could in fact satisfy the criteria of an identity of interest between government and the governed, and that, as such, women did not require the vote in order to ensure the representation of their interests.

Having reduced the potential electorate to men of an age regarded as sui juris, Mill proceeds to try to further reduce the franchise. His solution is to conceive of an electorate of men over forty who satisfy a minimum property qualification - designed to cover a large part though not all of the population. This electorate, largely the middle classes, satisfying Mill's notion of rationality and educational attainment would, he believed be capable of leading the working classes, for it was the opinions of the middle classes that Mill considered were formative of the opinions of the lower ranks of society.<sup>1</sup> In times of crisis and potential upheaval, with a middle class to emulate and admire many of the potential sources, conflict arising from the working class would, Mill implies, be diffused by the leadership of an exemplary middle class.<sup>2</sup>

In this section we have concentrated upon elucidating James Mill's conception of property, and the relation of that conception to government. In what follows, we intend to examine the similar, though distinct argument from incentive which, it is our contention, underlies the political economic theories of distribution of the early nineteenth century.

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(1) Ibid., pp. 94-95.

(2) Ibid., pp. 94-95.

Section 3: Classical Political Economy: Security and Growth,  
J.R.McCulloch and T.R.Malthus.

Scattered throughout the literature of political economy are innumerable remarks to the effect that security of property is fundamental to the efficient functioning of the economic system in terms of both continued production, and growth. Thus we find David Ricardo writing in 'Observations on Parliamentary Reform',<sup>1</sup> that:

... the quantity of employment in the country must depend, not only on the quantity of capital, but upon its advantageous distribution, and, above all, on the conviction of each capitalist that he will be allowed to enjoy unmolested the fruits of his capital, his skill, and his enterprise. To take from him this conviction is at once to annihilate half the productive industry of the country, and would be more fatal to the poor labourer than to the rich capitalist himself. 2

Security in the expectation of deriving benefit from property provides, it appears, the only sufficient incentive to induce the capitalist to contribute "his capital, his skill, and his enterprise" to the productive process.<sup>3</sup>

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(1) Ricardo, David, art.cit., Scotsman, 24 April 1824, reprinted in Sraffa ed., Works, pp.495-503.

(2) Ibid., p.501.

(3) The context of this argument is provided by a brief discussion of the question of the introduction of universal suffrage. Ricardo is opposed to universal suffrage - though not a more limited extension of the franchise - on the grounds that the enfranchisement of the unpropertied would somehow lead to a violation of the prevailing right of private property. Ricardo is here assuming that since those without property cannot necessarily be conceived to have a vested interest in the maintenance of existing proprietary arrangements, that insecurity would result from the inevitable invasions of the property of the wealthy. He thus counsels that "only those who have a sacred regard to the rights of property should have a voice in the choice of representative" Ibid., pp.501-502.

Similarly, Charles Knight declares, in The Rights of Industry, not only that "the security of individual property is the foundation of all social improvement",<sup>1</sup> but that where there is no security of private property, there is "no exchange, no capital, no labour, no production".<sup>2</sup>

"Immediately that this principle (the security of individual property) is established", Knight pronounces, "labour begins to work profitably, for it works with exchange. If this principle of appropriation were not acted upon at all, there could be no exchange, and consequently no production..."

3

In other words, security of property is again viewed as the only institutional arrangement capable of generating a sufficient motive to continued production.

The aim of this section will be to illustrate our contention that the conception of property underwriting classical political economy was a conception derived not from the juristic tradition of John Locke, but from the consequentialist/Utilitarian tradition of Jeremy Bentham. We intend to show, then, that the classical political economists did not believe that labour was naturally, or necessarily, entitled to the product of its labour; that rather these writers were concerned, in a very limited way,

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(1) Knight, Charles, The Rights of Industry, 2nd edn. (London, Society for the Diffusion of Useful Knowledge, 1831) p.42.

(2) Ibid., p.24.

(3) Ibid., pp.23-24.

with an explanation of how security of property conduced to a particular end; the efficient and optimal functioning of the economy; and that as such, they did not advance a justificatory theory of entitlement. In order to illuminate our claim, we will concentrate primarily upon the opinions of two authors - John Ramsay McCulloch, and Thomas Robert Malthus - although reference will be made to other authors where appropriate.

Before beginning our treatment of McCulloch, however, we propose to make a number of observations about Charles Knight's pamphlet, The Rights of Industry. This pamphlet was essentially a defence of the claim of capital to a share in the product of industry, prompted by the publication of Thomas Hodgskin's works, Labour Defended Against the Claims of Capital, and Popular Political Economy. As we shall demonstrate in chapter 7, Hodgskin had argued that the capitalist's title to profit rested upon the abrogation of the natural, juristic, right of labour to the full fruits of its endeavour. In these conditions where capital was owned by a non-producer, the capitalist in question had no rightful title to demand payment for the use of that capital by a labourer. Thus Hodgskin complained:

... the labourer is not allowed to work, unless, in addition to replacing whatever he uses or consumes, and comfortably subsisting himself, his labour also gives a profit to the capitalist on all the capital which he uses or consumes, while engaged in producing.

1

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(1) Hodgskin, Popular Political Economy, cited, in Knight, op cit., pp.56-7:

It was Knight's contention, however, that (i) "the principle upon which all accumulation depends, that of security of property, being destroyed, the accumulation would be destroyed".<sup>1</sup> So that were the labouring classes to use this capital without payment for that use they would be violating security of property, and causing accumulation to cease. And (ii), that "if some capitalist did not receive a profit upon the employment of the capital, it would remain unemployed - it would be useless".<sup>2</sup> The capital would be left to deteriorate. The only incentive the capitalist has, then, to preserve and maintain items of capital, is the promise of profit.

Where Hodgskin is concerned to demonstrate the bases of legitimate entitlement, Knight, like the other political economists considered in this section is interested only in illustrating what would happen if existing property institutions were tampered with. Thus, Hodgskin develops, as we shall see in chapter 6, a justificatory theory of property - employed largely as a yardstick against which to measure prevailing proprietary claims - whereas Knight (et al) extends explanatory theories of the goals to be promoted by a particular set of property arrangements. Like Ricardo, therefore, Knight views security of property as basic to continued production, and growth.

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(1) Ibid., p.56.

(2) Ibid., pp.56-57.

In our exposition of the ideas of Jeremy Bentham and James Mill on the question of property, earlier in this chapter,<sup>1</sup> we indicated that a theory of property was not necessarily concerned with the question of original entitlement. It could, quite justifiably, concern itself with the objectives to be promoted by a particular arrangement of property institutions. Thus, we noted, that James Mill was of the opinion that in order to mobilise labour in sufficient quantities to ensure the production of enough subsistence to enable the community to survive, every man had to be ensured "the greatest possible quantity of the produce of his labour".<sup>2</sup> The Utilitarian end of the "greatest happiness of the greatest number" would best be served, then, by a property structure based on incentive.<sup>3</sup>

Although McCulloch did not systematically articulate a theory of property in any particular work, it is our claim that his ideas on property are informed by the approach adopted by Bentham and Mill - to specify - albeit sketchily - that pattern of proprietary arrangements productive of (in McCulloch's case) optimum economic growth. Although he denies the necessity of "entering into any statements explanatory of the advantages resulting from the establishment of a right of private property",<sup>4</sup> or of embarking

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(1) See above, pp.320-349.

(2) Mill, "Essay on Government", p.57.

(3) That security of property was regarded as fundamental to both the supply of effort and the supply of capital was a standard assumption of the classical political economy of the authors under study in this dissertation.

(4) McCulloch, J.R., A Treatise on the Succession to Property Vacant by Death, (London, 1848), p.2.

on "disquisitions with respect to the origin...of the right of private property",<sup>1</sup> since "these are obvious, and have been universally admitted",<sup>2</sup> he does in fact furnish his reader with some account of the advantages deriving from the institution of property. He observes, for example, that without "a right of private property in land and in the various products of art and industry, there could be neither wealth nor civilisation in the world".<sup>3</sup> Similarly, he notes that:

Nothing could ever tempt anyone to engage in a laborious employment; he would neither domesticate wild animals nor clear and cultivate the ground, if, after months and years of toil, when his flocks had become numerous, and his harvests were ripening for the sickle, a stranger were allowed to seize upon the produce of his industry. 4

This view is clearly resonant of the claim of both Bentham, and Mill, that production will only be continued if the producer feels secure in the enjoyment of his property. And indeed, McCulloch frequently cites Bentham in support of his case.<sup>5</sup> Before examining the concept of security, and the role of that concept within McCulloch's political economy, we intend to examine McCulloch's conception of the relationship between labour and appropriation.

The activity of labouring is seen largely in instrumental terms. In other

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(1) McCulloch, J.R., The Literature of Political Economy, (London, 1845). (Henceforth "Lit. of Pol. Ec.")

(2) Succession to Property, p.2

(3) Lit. of Pol. Ec., p.307.

(4) Succession to Property, p.2.

(5) cf., e.g., "Political Economy", EB6, p.240 and PPE (1), pp.50-51.

words, labouring is regarded as a painful necessity fundamental to the satisfaction of needs.<sup>1</sup> Indeed, McCulloch observes: "the eternal law of providence has decreed that wealth can only be procured by the intervention of industry", with wealth defined in Smithian terms as command over the necessities and conveniences of life.<sup>2</sup>

Place us on the banks of a river, or in an orchard, and we shall infallibly perish, either of thirst or hunger, if we do not, by an effort of industry, raise the water to our lips, or pluck the fruit from its parent tree.

3

Labour is regarded as an effort; as an activity producing disutility.<sup>4</sup> But man must, it appears, "earn his bread by the sweat of his brow".<sup>5</sup> He must, like Adam after the Fall, engage in the burdensome task of labouring if he is to survive.<sup>6</sup> As such, the production of wealth forms the "constant and principal object of the exertions of the human race".<sup>7</sup>

The primary question we must ask, then, is how does this conception of labour relate to McCulloch's views on property? And is it consistent with his conceptualization of labour as the principally dehumanized activity

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- (1) This can be distinguished from the expressivist notion that labouring is an essentially creative or developmental activity.
  - (2) Political Economy, EB6, p.218.
  - (3) Ibid., p.235 (Original emphasis)
  - (4) See above, chapter 2, section 2(iii), p.98 and chapter 3, section 3, p.182 for a consideration of some links between labour as disutility, and the question of value.
  - (5) Political Economy, EB6, p.218. Cf., PPE(5), pp.25-6.
  - (6) Cf., Genesis, 3.19. "In the sweat of they face shalt thou eat bread".
  - (7) Political Economy, EB6, p.218.

discussed in the labour theory of value?<sup>1</sup>

If labour is regarded as fundamentally onerous, then clearly one may surmise that in order to ensure its mobilisation some sort of incentive or benefit scheme is probably necessary. For McCulloch - like Mill - the best available incentive was the attribution to labour of the product of his industry.<sup>2</sup> The existence of security of property had, McCulloch claimed,

... subdued the natural aversion of man to labour, given activity to indolence, and armed the patent hand of industry with the zeal to undertake, and the perseverance to overcome, the most difficult and disagreeable tasks. 3

In other words, security of property forms the "first and most indispensable requisite to the production of wealth".<sup>4</sup> To ensure the continued industry of an individual all that is necessary, McCulloch counsels, is to "secure him the peaceable enjoyment of the fruits of his industry".<sup>5</sup> Or, as he somewhat quantifiedly asserts, in the fourth edition of the Principles of Political Economy, the first requisite of growth is the:

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(1) Cf., above chapter 3, section 3, pp.187-191.

(2) By "labour" McCulloch means both that of the labourer and the capitalist.

(3) Political Economy, EB6, p.218. Cf., Ibid., p.240.

(4) PPE (1), pp.45-6.

(5) Political Economy, EB6, p.273.

... establishment of a right of property, or the securing to every individual the quiet enjoyment of his natural powers, and of the products, lands, and talents he may have inherited, or honestly acquired.

1

That such a pattern of distribution serves not only the interests of utility, but also those of reason, is evidenced in McCulloch's claim that it is axiomatic that the labour of a man's body and the work of his hands are his own. Clearly, the idea that the labour of a man's body and thence the produce of that labour, are his own is a Lockean notion. However, it would be a mistake to see McCulloch as a Lockean in relation to his theory of property. Locke advanced a natural rights theory of property entitlement; he was concerned with the just bases of property acquisition. McCulloch, by contrast, is not interested in illuminating the conditions for legitimate appropriation, but rather the conditions necessary to economic growth, of which security of property is the principal one.

The sense in which the above Lockean notion is employed most frequently in political economy, is not as an argument for appropriation, but as an argument against policies and practices designed to direct or restrict labour or production - such as monopolies or apprenticeships. An individual's right of property was seen by McCulloch to relate most intrinsically to the faculties of his mind and the powers of his body<sup>2</sup>. Whenever, then, he was interdicted from engaging in a particular business, his right of property was seen to be abrogated. This is especially important in the case of the

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(1) PPE (4), p.80.

(2) PPE (1), p.47. (Original emphasis), Cf. PPE(5), pp.28-9.

working classes, for McCulloch observes, "capacity to labour is to the poor man what stock is to the capitalist".<sup>1</sup> Just as restrictions on the use of capital are seen as violations of the right of property of the capitalist, so too are restrictions on the disposal of labour conceived as violations of the right of property of the labourer. Security of property is violated, then, not only when "a man is deprived of the power of peaceably enjoying the fruits of his industry", but it is also violated when:

... he is prevented from using the powers with which nature has endowed him, in any way, not injurious to others, that he considers most beneficial to himself. 2

McCulloch is not espousing a labour-based theory of property rights. The activity of labouring is not accorded any special proprietary status. Rather, as we can observe from the modified definition of (security of) property given above, McCulloch extends the notion of security beyond the produce of human industry to include the enjoyment of man's natural powers, his lands and talents. Although there is no attempt to dehumanize "labour" at this juncture, McCulloch does not invest it with any special proprietary title.

Another point of note concerning McCulloch's conception of property is that it is a fundamentally individualistic right.

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(1) Essay on Wages, pp.185-6. Cf., above, chapter 2, section 2(iv), p.104.

(2) PPE (1), p.47.

If a number of individuals be set down together on the shore of an unoccupied and unappropriated island, each will have quite as good a right as another to take the game and fruit. But those who do so ... will obviously be entitled to the exclusive use of such portion. 1

McCulloch is, he claims, unable to determine whether or not there exists a principle innate in man which suggests that he respect such individual property, but, he concludes:

... it is sufficient to know that briefest experience would point out to everyone the necessity of establishing and respecting such a principle. 2

Although the law may sanction, and institutionalize the right of property as Paley suggests,<sup>3</sup> McCulloch prefers to see its emergence as natural and gradual. Property, he declares, is "perfected only by slow degrees".<sup>4</sup> Here, McCulloch's approach is very similar to that of Smith. Like Smith, McCulloch presents a conjectural picture of historical development structured about a four-stages paradigm. However, where Smith concentrated in great depth upon the relationship between the evolution of property and the four-stages theorem,<sup>5</sup> McCulloch only refers to that

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- (1) PPE (4), pp.80-8. (My emphasis)
  - (2) Ibid., pp.80-81.
  - (3) Cf., PPE (1), p.46.
  - (4) PPE (4), p.80.
  - (5) See above, chapter 1, pp.10-75.

relationship in passing. Thus, he observes, for example, that:

... among hunters the ferae naturae on which they subsist ... are, so long as they run wild in the forest, the common property of the tribe, and only become private property after they have been captured ... As society advances the right of property expands ... the modern Tartars ... estimate their wealth by the number of their cattle ... The moment, however, that men began to renounce the pastoral for the agricultural mode of life, the right of property in land had to be established ...

1

Each stage in societal evolution can, it appears, as with Smith, be characterised according to the pattern of property differentiation prevalent therein.

However, the main thrust of McCulloch's limited pronouncements upon property, is to demonstrate the essentiality of the institution of private property for efficient economic functioning. Property, he declares, in edition one of the Principles, is "the foundation on which almost all the other institutions of society rest".<sup>2</sup> Until property was guaranteed, conflict over scarce economic resources would ensue. Once security of property is established, however, not only is production guaranteed, but more importantly, so too is accumulation.

Where the right of property is vigilantly protected, an industrious man, who produces as much by one day's labour as is sufficient to maintain him two days, does not lie idle the second day, but accumulates the surplus produce above his wants as capital ... But, wherever property is insecure, we look in vain for the operation of the principle of accumulation.

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(1) PPE (4), pp.80-81.

(2) PPE (1), p.46.

(3) Political Economy, ER6, p.238. Should the general interest require the expropriation of some property in order, for example, to construct a canal, firstly, the advantages of the scheme must be established before a "competent tribunal", and secondly, those dispossessed must be fully compensated. PPE (4), p.89.

Security of the exclusive right of private property ensures, therefore, continued production, and accumulation, or, in other words, guarantees the supply of effort and the supply of capital. Furthermore, the sacrosanctity of private property has been responsible for the emergence from barbarism of all nations. "The right of property has not made poverty [as Rousseau and Beccaria allege], but it has made wealth".<sup>1</sup>

Malthus, like McCulloch, was concerned with the prerequisites of growth, and similarly identified the sanctity of the existing property system as essential to that end. Thus he observes "the laws of private property ... are the grand stimulants to production".<sup>2</sup> Security of property provides, therefore, a necessary and sufficient encouragement to production.<sup>3</sup> However, the most interesting aspect of Malthus' ideas about property does not relate so much to the links between property and growth, as to the connection between property and inequality. After making a few preliminary points relating to general features of Malthus' theory of property, we shall turn to this relationship between property and inequality.

Firstly, Malthus, akin to all the other authors studied in this chapter, is interested in a right of private property.<sup>4</sup> Secondly, it is to this individualistic right of property, in combination with the principle of self-love, that mankind is indebted for all the "noblest exertions of

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(1) Political Economy, EP6, p.240.

(2) Malthus, A Summary View of Population, pp.245-6.

(3) Principles of Pol.Ec., p.346.

(4) Summary View, p.245.

human genius", for "everything, indeed, that distinguishes the civilized from the savage state".<sup>1</sup> Like McCulloch, Malthus sees the operation of a right of property as a civilizing mechanism within society raising men from the condition of a primitive, savage society, to that of a civilized, commercial society.

Thirdly, security of property - the spur to industry - "depends mainly upon the political constitution of a country, the excellence of its laws and the manner in which they are administered".<sup>2</sup> Related to this is Malthus' assertion that, even allowing that the right of property is the "creature of positive law", this law must be;

... so early and so imperiously forced on the attention of mankind, that, if it cannot be called a natural law, it must be considered as the most natural as well as the most necessary of all positive laws ... 3

The rationale behind Malthus' claims is that the law of property tends to promote the general good whilst the absence of such a law tends to degrade man to the level of the animals, and that, as such, if it is not a natural law, it must, given the end it fosters, represent the most essential of all positive laws. The happiness of society depends then, upon the existence of a right of property.

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(1) Essay on Population, p.98 (Pelican edn.), pp.176-177.

(2) Principles of Pol.Ec., p.346.

(4) Summary View, p.269.

The problem with Malthus' conception of property concerns the links between property, and inequality. The world that Malthusian man inhabits is a world of scarce resources, and a world in which population is constantly pressing against the means of subsistence. As Malthus observes, in this condition, "man cannot live in the midst of plenty. All cannot share alike the bounties of nature".<sup>1</sup> Since Nature is niggardly a system of property administration is required, in order to resolve conflict over scarce resources. It had been William Godwin's opinion that the institution of property represented an "evil" in society. Malthus, in an attempt to refute that hypothesis, aims to show that private property is a "good".

In conditions of plenty, it would be, Malthus argued,

... of little consequence who laboured the least, or who possessed the least, as every man was perfectly willing and ready to supply the wants of his neighbour.

2

However, in conditions of extreme scarcity, Malthus observes, the situation changes. The question becomes not "whether one man should give to another that which he did not use himself", but "whether he should give to his neighbour the good which was absolutely necessary to his own existence".<sup>3</sup> Clearly in such a situation the property-holders would desire to retain their property, and so Malthus concludes;

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(1) Essay on Population, 1798, (Pelican edn.), p.134.

(2) Ibid., p.140.

(3) Ibid., p.140.

It seems highly probable ... that an administration of property, not very different from that which prevails in civilized states at present, would be established, as the best, though inadequate, remedy for the evils which were pressing on the society. 1

Malthus, believing that the rival claims to subsistence, particularly acute in times of great scarcity, could not all be accommodated, favoured a system of property which would, first, secure present possessors in their possession, but secondly, and more importantly, prevent the poor and needy having any claim on that property.<sup>2</sup> This harsh scenario is possibly best exemplified by a passage from the second Essay on Population (1803), which was withdrawn from later editions of that Essay.<sup>3</sup> Herein Malthus declared that:

A man who is born into a world already possessed, if he cannot get subsistence from his parents on whom he has a just demand, and if the society do not want his labour, has no claim of right to the smallest portion of food, and, in fact, has no business to be where he is. At nature's mighty feast there is no vacant cover for him. She tells him to be gone, and will quickly execute her own orders, if he does not work upon the compassion of some of her guests. 4

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(1) Ibid., p.141.

(2) Cf., Hont and Ignatieff, "Needs and Justice", in Hont and Ignatieff (eds), Wealth and Virtue, pp.1ff, for a discussion of the tension between the demands of the poor and the rights of the rich in times of scarcity, from ancient thought on.

(3) The passage was first omitted from the 1806, 3rd edn. of the work.

(4) Cited in James, Patricia, Population Malthus, p.100.

This question of intergenerational rights is interesting. All those born after the appropriation of the means of subsistence are able to survive only if they are supported by their parents; can gain employment, since labour is the "only way a poor man has of supporting himself in independence",<sup>1</sup> or, are able to claim charity off sympathetic persons if all three alternatives fail, the person in question is, Malthus argues, doomed to die. In many respects, Malthus is claiming that such a person has no right to live, having been born into an already over-populated world. If those presently inhabiting the world are prepared to support such persons, they are seen, by Malthus, to be acting contrary to the dictates of Nature.

The guests learn too late their error in counteracting those strict orders to all intruders, issued by the great mistress of the feast, who ... knowing that she could not provide for unlimited numbers, humanely refused to admit fresh comers when her table was already full.

2

Obviously Malthus' argument is underwritten by his concern about the population question, and the potential disaster that could befall the human race if it did not take action against the tendency of population to increase at a pace far ahead of that of subsistence. However, Malthus' solution - that all latecomers should be left to starve, effectively - bears stark contrast to the analysis developed by Herbert Spencer, in Social Statics, of a similar scenario.<sup>3</sup>

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(1) Essay on Population, (1798), p.177.

(2) James, Population Malthus, p.100.

(3) Spencer, Herbert, Social Statics, (London, Chapman, 1851).

Spencer, claims that "equity ... does not permit property in land".  
 In order to illustrate his argument, he notes,

Supposing the entire habitable globe to be so enclosed, it follows that if the landowners have a valid right to its surface, all who are not landowners, have no right at all to its surface. Hence, such can exist on the earth by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet.... 2

Exclusive possession of the soil infringes, Spencer declares, the "law of equal freedom", and is, as such, both unnatural and illegitimate. The only system of ownership of the soil that is consistent with equity and civilisation is, Spencer concludes, that of "co-heirship". He favours, therefore, the nationalisation of land, and payment of rent for its usage.<sup>3</sup> Thus, Malthus and Spencer, from the same position of considering how the claims of the unpropertied may be balanced against those of the existing property owners develop radically different theories to settle that question. Spencer subjects the prevailing property system to critical

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- (1) That is, privately owned.
  - (2) Social Statics, pp.114-115
  - (3) See below, Chapter 8, section 1, for a brief review of the comparisons between Spencer and Hodgskin on the ownership of land.

appraisal according to the tenets of equity, and finds it wanting, whilst Malthus proclaims, that something akin to the current pattern of property arrangements would be instituted in order to protect the haves from the have-nots.<sup>1</sup>

In this section we have been primarily concerned with the notion of "security" within the writings of the classical economists. Observing that there was a general belief in the fundamentality of security of property for the efficient functioning of the economic system, we concluded that the classical economists' ideas about property were informed more by notions derived from Utilitarian philosophy, than by concepts derived from the pages of Locke.

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(1) Explicit within Malthusian political economy is the belief that society would necessarily, and justifiably, be divided into a class of proprietors and a class of labourers - since not all could be proprietors. Cf., e.g., Essay on Population (1798), pp.177ff.

### Conclusion

It was the ideas about property found in Utilitarian and classical economic literature that formed the substance of this chapter. Here we were principally - though not exclusively - interested in the relationship between labour, security, and where apposite, equality. It was our conclusion in this chapter that both the Utilitarians and the classical political economists, had developed explanatory, rather than justificatory, theories of property. Both groups had been concerned to demonstrate how a particular set of property arrangements would conduce to a particular end, and the maximisation of utility, which included (most significantly for the economists) the idea of the maximisation of wealth. They were not concerned with the question of the origins of a legitimate, or just title to property. They ignored, therefore, the question of entitlement. This approach may be contrasted with that of Thomas Hodgskin, whose natural rights theory of property forms the basis of chapter 6. Hodgskin, unlike Bentham, Mill et al., develops his theory of property as a theory of the just foundations of original individuation. Armed with the normative-prescriptive criteria on which a natural (that is, legitimate) title to property ought to be based, Hodgskin - as we shall demonstrate in chapter 7 - is then able to illustrate how the workings of the present property system actually violate the grounds of just acquisition. His justification theory of property becomes a yardstick against which to measure current practices.

The utilisation of a theory of property - whether an explanatory or justificatory theory - as a tool of critical analysis is not really a central concern of the Utilitarians considered in this chapter, nor of

the classical economists. However, because it was not a concern of these authors does not necessarily mean that Utilitarian accounts of property could not be used in this critical fashion. Indeed in chapter 7, we shall see just such an account from utility employed as a critique of capitalism - namely, William Thompson's egalitarian-Utilitarian theory.<sup>1</sup>

In section 1 of this chapter, we concentrated on the writings of Jeremy Bentham, focusing on the Theory of Legislation. We concluded that throughout Bentham's account of property was a tension between concerns from equality and those from security, and that Bentham's overriding belief in the need for security in the property system led him to an essentially conservative position. Confirmation of property in the hands of those who expected to receive it, took precedence over any redistributive policy structured to foster equality. The claim from equality - based on the idea that equal portions of wealth generate (the means to) equal quantities of happiness, and the theory of diminishing marginal utility - would only, we observed - be promoted in future times. The reason for this aspect of futurity within Bentham's schema relates to the second major question we addressed - the notion of expectation. Property, for Bentham, represented, we concluded, the fulfilment of an expectation. Expectations were of two kinds - natural, and legal. Thus the possibility that the legal system was able to influence expectation meant, for Bentham, the possibility that it could alter, over time, people's expectations about the

(1) See below, chapter 7, section 1(ii) especially.

rewards deriving from the property system. In this way equality may ultimately be made (more) compatible with security. Government could, however, never intervene to forcibly redistribute wealth, since such action produced disutility. Our final conclusion in this section was that Bentham's account of property was designed as an explanation of the type of property arrangements most conducive to the attainment of the greatest happiness. Since wealth formed the primary means to the attainment of that happiness, his account is also an explanation of how to ensure maximum reproduction of wealth. From the premise that labour is onerous, Bentham demonstrated that continued production requires security in the expectation of enjoying the benefits of that labour - in other words, an efficient economic system is contingent upon security of property.

In section 2 we discussed James Mill's attempt to address the problem of how the disutility incurred in the activity of labouring could be overcome in order to ensure continued production. Economic resources, Mill had declared, were scarce; and the goods most necessary to human existence required labour in their acquisition. Like Bentham, Mill regarded labour as onerous. His account of property was, we concluded, like Bentham's, an attempt to find that system of property productive of maximum utility and wealth. This led him to an argument from incentive. Labour, Mill asserted, would only be acquired in sufficient quantities if the reward attached to that labour was the highest available - the full (or the maximum possible) - fruits of human industry. The pattern of property most conducive to the ends outlined by Mill, was a pattern founded on labour - by which Mill meant also the work of the capitalist - incentive. The second focal point of

this section was Mill's theory of representation. We demonstrated here, that Mill regarded the natural propensity in man to dominate his fellows as necessitating government by representation since this system alone could guarantee an identity of interests between the governors and the governed. We also noted in this section Mill's concept of virtual representation, the rather unusual argument that the interests of some sectors of the population are so automatically coincident with the interests of other sectors that the representation of all is not necessary. During this part of our argument, we recognized the claim advanced by Jack Lively, that despite Mill's pronouncements in the Essay on Government, Mill did in fact favour universal suffrage - albeit of men only.

In section 3, we turned to the ideas about property underlying classical political economy. It was our principal conclusion in this section that those ideas derived not from Lockean thought, but from the tradition of Utilitarianism. Thus security of property as the basis of growth, founded upon a view of labour as a curse, formed a major assumption of the classic economic authors. This thesis, we argued, was best exemplified in the work of John Ramsay McCulloch. Of McCulloch's conception of property, we observed that it was an individualistic right; that the gradual emergence, and diversification of property, was discussed within the framework of a Smithianesque four-stages model of societal evolution; and that such a right was integral to societal advancement, to continued production, and, most significantly for McCulloch, for accumulation, thence growth.

A consideration of the views of Malthus on property followed the above discussion. Here we concluded that Malthus, like McCulloch, Ricardo et al, also regarded security of property as essential to both production and growth, to the supply of effort and the supply of capital. However, our dominant interest in Malthus' ideas about property concerned his views on intergenerational claims to subsistence - the problem of the rights of those born posterior to a division of the earth. Comparing Malthus' thesis with that developed by Spencer in Social Statics (1851), we observed that where Spencer perceived the monopoly ownership of land, and the ensuing dependence of non-landowners (for subsistence) on the sufferance of the landed classes, as the grounds for an indictment of the prevailing property system, Malthus simply concluded that the "latecomers" had no claim to subsistence - indeed no right to life. Unable to gain employment, or to derive subsistence from parents, or charitable fellows, their only alternative was to starve. Malthus' general opposition to charity is based, we noted, upon his theory of population. If population was allowed to grow, unchecked by prudential restraint, then man would be subject to a life of misery. The existence of more quests than there are "vacant covers" at Nature's "mighty feast" testifies, as far as Malthus is concerned, only to the failure of people to realise the necessity of keeping population down to the level of subsistence, and was, as such, worthy only of contempt.

Having established how the Utilitarians and classical political economists regarded the role and function of property, we shall, in chapter 6, consider the natural rights' theory of property developed by Thomas Hodgskin.

Chapter 6. Thomas Hodgskin: A Natural Right of Property

The principal claim of the anti-Ricardians - Hodgskin, Thompson, Gray, and Bray - was the notion that the labourer is entitled to the full fruits of his endeavour, and that under the prevailing system of industrial capitalism, he was being systematically denied those fruits. In order to substantiate these claims, the authors in question had to demonstrate just exactly how and why labour alone generated a legitimate title to property, and why the existing claims of land and capital were illegitimate. This led William Thompson, for instance, to develop an egalitarian utilitarian doctrine of property rights, founded on the belief that, since all men are similarly created physiologically, and since all are, in consequence, capable of experiencing the same degree of pleasure from an equal quantity of wealth, that according to the dictates of utility, the distribution of wealth most conducive to human happiness, and the greatest reproduction of wealth, was distribution according to labour expenditure.<sup>1</sup> Hodgskin, however, adopts a different position, planting himself firmly within the natural rights tradition of John Locke. Property, for Hodgskin, derives from the expenditure of labour, because of the property a man has invested in his person by Nature, or God.

The objectives of this chapter, then, are three in number. In section 1, we will examine Hodgskin's version of the natural rights doctrine of property, focusing upon the philosophical basis of that right; the various meanings with which Hodgskin invests the term "natural"; and the status of labour.

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(1) See below, chapter 7, section 1(ii).

In section 2 we will be concerned to elucidate the connections between the natural and artificial rights of property in land. This discussion will entail an analysis of three questions: firstly, the question of the implications of the Lockean "use", or "sufficiency" proviso as a limit to the extent of permissible landholdings; secondly, the issue of the compatibility of Hodgskin's essentially Lockean account of the origins of property in land, and the stadial framework, derived from Smith, within which that account is deployed; and, finally, the question of the ramifications of Hodgskin's account of the unnatural acquisition of land through conquest for current distributive practices, especially the question of the origin of rent.

In section 3, we will discuss Hodgskin's claim that the natural right of property has an innate capacity to, and repeatedly does in fact, undermine the operations of the artificial right, and that evidence of this undermining, and of the powerlessness of the legislating classes to halt this process, can be discerned in the abolition of slavery, and the inexorable rise of the middle classes.

Consideration of Hodgskin's critique of the claims of capital, and the issue of natural and social value determination will be left to the next chapter.<sup>1</sup> Similarly, consideration of Hodgskin's views on how the natural right of property was to find expression in future society will be deferred until chapter 8, where we intend to examine the schemes developed by the anti-Ricardians, en masse, for the reconciliation of labour with its product.<sup>2</sup>

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(1) See below, chapter 7, sections 2, and 3, respectively.

(2) See below, chapter 8, section 1.

Section 1: The Natural Right of Property Defined

A common theme in all Hodgskin's writings is the distinction, deriving from Adam Smith, between "natural circumstances" and "social regulations",<sup>1</sup> and The Natural and Artificial Right of Property Contrasted<sup>2</sup> is no exception, for here Hodgskin is attempting to contrast and distinguish the "natural" from the "artificial" (or socially regulated) right of property. His attempt begins with a refutation, on the grounds of absurdity, of the utilitarian view of the origin of rights and duties.<sup>3</sup>

In contrast to the doctrine of natural rights which Hodgskin supports, the Utilitarians founded the origin of rights on the dictates of positive law. Where Hodgskin was to claim that Nature had endowed man with certain natural and inalienable rights of which one was an innately individualistic right of property, the Utilitarians had already proclaimed that the right of property could not exist antecedent to, or independent of, positive law. As Bentham declares, "La propriété et la loi sont nées ensemble et mouront ensemble. Avant les lois, point de propriété. Otez les lois toute propriété cesse".<sup>4</sup>

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- (1) H. S. Foxwell suggests that Hodgskin's distinction derives from that postulated by Smith, between "human institutions", and the "natural order of things", in WN. III.i. Given Hodgskin's reliance on material culled from the Wealth, this seems likely. H. S. Foxwell, introd. to Anton Menger, The Right to the Whole Produce of Labour, (London MacMillan, 1899) pp.lxii-lxiii. See for example, Popular Political Economy, (London, Charles Tait; 1827) Chapter 1 where Hodgskin establishes that the laws governing production and distribution are natural laws, pp.1-44, esp. pp.29ff; and Travels in the North of Germany, describing the present state of the Social and Political Institutions, the Agriculture, Manufactures, Commerce, Education, Arts and Manners in that country, particularly in the Kingdom of Hanover, (Edinburgh, 1820) 2 vols. cf. vol I, p.466ff.
- (2) The Natural and Artificial Right of Property Contrasted, (London, B. Steil 1832).
- (3) Hodgskin is criticizing, in particular, Bentham's Traité de Legislation, and Mill's "Essay on Government".
- (4) Traité de Legislation, cited p.13, Nat. & Artif.

For Hodgskin this system deserves only censure, for it implies that prior to the law "men ... had no right even to life ... and that no one was under an obligation not to kill another till the legislator created this right and imposed this duty",<sup>1</sup> a position "as mischievous as it is absurd".<sup>2</sup> Extending this view slightly further, Hodgskin observes that the denial of natural rights to man implies that he may,

be experimented on, imprisoned, expatriated or even exterminated, as the legislator pleases. Life and property being his gift, he may resume them at pleasure; and hence he never classes the executions and wholesale slaughters, he continually commands, with murder - nor the forcible appropriation of property he sanctions, under the name of taxes, 3 tithes etc., with larceny or high-way robbery.

Positive law becomes, therefore, something beyond both the reach and redress of the individual. Where natural law operates according to the dictates of equality, positive law is necessarily injurious and sectarian, comprising simply "a great scheme of rules, intended to preserve the power of government, and to secure the wealth of the landowner, the priest, and the capitalist".<sup>4</sup>

Whilst the existence of positive law is fundamental to the Utilitarian position - a kind of necessary evil - its existence for Hodgskin is construed as both superfluous and obstructive - more a kind of absolute evil. Hodgskin adopts this standpoint because of his belief in Natural Law.

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(1) Nat. & Artif., p. 20.

(2) ibid., p. 21.

(3) ibid., p. 21.

(4) ibid., p. 22.

The material world, he argues, represents "the result of the wisdom of nature, and not of human contrivance";<sup>1</sup> it is regulated by a system of inherently beneficent and immutable laws. All social regulations, however, "like the giant rocks which hem the river's<sup>2</sup> fertilizing flow, inform us, terribly indeed, by poverty, misery, and social convulsions, of the interruptions to the course of nature".<sup>3</sup> Human law is not only superfluous and obstructive, then, but also the fount of all social misery, hindering rather than promoting societal advancement, and the artificial right of property is no exception. Property, founded on correct principles, represents a socially cohesive force; but "wherever this foundation is rotten, freedom cannot exist, nor justice be administered".<sup>4</sup>

Hodgskin's aim in The Natural and Artificial Right of Property Contrasted is, therefore, to elucidate those laws governing property which are agreeable to "nature and justice";<sup>5</sup> that is, to establish in his opinion, that "Mr. Locke's view is... more correct than Mr. Bentham's", and to show that "a right of property is not the offspring of legislation",<sup>6</sup> but the offspring of nature.

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(1) Pop. Pol. Ec., pp.24-25.

(2) Natural laws are analogized to "a deep and mighty river".  
Pop. Pol. Ec., p.38.

(3) ibid., p.38.

(4) Nat. & Artif., p.12. Hodgskin expressly distances himself from those writers, like Saint-Simon and Rousseau, who view all societal ills as emanating from a right of property, per se; whereas Hodgskin views societal ills as deriving only from the existence of an artificial right of property. Ibid., p.24.

(5) ibid., p.5. The quote is from Dugald Stewart's Elements of the Philosophy of the Human Mind, 2nd ed., vol I, p.251.

(6) ibid., p.17.

His analysis of the legitimate basis for the natural right of property begins with a definition of that right:

"I look on a right of property - on the right of individuals, to have and to own, for their own separate and selfish use and enjoyment, the produce of their own industry, with power freely to dispose of the whole of that in the manner most agreeable to themselves, as essential to the welfare and even to the continued existence of society". 1.

As this definition advises, the right of property is an innately individualistic, and exclusive, right. More than that, however, the natural right of property is grounded, as we shall see, in the expenditure of labour.

Quoting from Locke, Hodgskin notes that: "Every man ... has a property in his own person that nobody has any right to but himself. The labour of his body and the work of his hand are his property."<sup>2</sup> Whatever man "mixes" his labour with, by that process is removed from the common, and becomes his property. And thus "For the labour being the unquestionable property of the labourer, no man but he can have a right to what that is joined to".<sup>3</sup> Because the capacity to labour is personal, so too is the product generated by the expenditure of that labour. Just as nature gives man his body, so too it gives him only what the labour of that body can produce. In appropriating something from the common, therefore, man is mixing something of himself with that item, which mixing generates a right of property. Not only is the process of labouring in some way inherently self-expressive, then, but it is also instrumental in satisfying man's needs. Restating the

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(1) ibid., p.24.

(2) ibid., p.25. From John Locke, Civil Government, Book II, ch. 5, § 28.

(3) Nat. & Artif., p.25 (Hodgskin's emphasis). Cf. Labour Defended Against the Claims of Capital (London, 1825; reprinted by Hammersmith Bookshop Ltd., London, 1922, ed. G. D. H. Cole), pp.82-3.

Lockean position, Hodgskin notes that:

The power to labour is the gift of nature to each individual; and the power which belongs to each, cannot be confounded with that which belongs to another: The natural wants of man, particularly of food and clothing, are the natural stimulus to exert this power; and the means of gratifying them which it provides, is the natural reward for the exertion. 1.

Since nature has enjoined that man must labour in order to live - ("if we do not labour, we can have no food, and must inevitably perish"<sup>2</sup>), it has both endowed him with "a productive power commensurate to his wants",<sup>3</sup> and established, as a law of nature, that labour ought exclusively to be rewarded with the products of its endeavour. As:

It is a law of our being, that we must eat bread by the sweat of our brow; ... (so) it is reciprocally a law of the external world; that it shall give bread for our labour, and give it only for labour. 4.

The extent of property-holdings ought, therefore, to be regulated according to the extent of the expenditure of this labour.<sup>5</sup>

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- (1) Nat. & Artif., pp.26-27.
  - (2) Pop. Pol. Ec., p.27.
  - (3) ibid., p.27. This capacity is sufficient to support a man, his family, and a number of others, and forms the basis of "individual opulence and of national greatness".
  - (4) Pop. Pol. Ec., p.28 (my emphasis).
  - (5) Locke, as we know, recognised two important restrictions upon the extent of legitimate individuations from the common, namely the 'use' and 'sufficiency' conditions. (Civil Government, §§ 27, 31). Although Hodgskin mentions these conditions in his delimitation of the natural right of property, he defers consideration of limitations upon individual appropriation to his discussion of the origin of a natural right of property in land, simply focusing on the notion, here, that reward is limited by exertion. For a brief treatment of these limiting contingencies, see section 2 below.

Nature's bequest to labour is, then, a selfish and exclusive bequest. In addition to the right of property being a selfish and exclusive right, it is also a natural right. Since Hodgskin appears to employ the term "natural" in a number of different ways, we now propose to explore these different meanings.

The first, and principal, connotation of the term natural employed by Hodgskin, refers to the instrumental aspect of his theory of property. The right of property conferred by labour is natural because it is a necessary by-product of Nature's injunction to man to labour in order to live which, when contrasted with the artificial right of property based on conquest, forms the most important aspect of "naturalness" utilized by Hodgskin.

Secondly, and correlatively, natural also implies just. Only distribution commensurate to exertion complies with the commands of natural law. Hodgskin's critique of the existing property system is, as we shall see, founded upon the assumption that the abrogation of the natural right of property is inherently inequitable and unjust. Where "the law of the land is to give wealth to idleness, and (to) fleece industry till it be destitute", "the law of nature is that industry shall be rewarded by wealth, and idleness be punished by destitution."<sup>1</sup>

Hodgskin also utilises an argument from psychology to bolster up this hypothesis. Private property - created by labour - is an extension of individuality. Just as man has an awareness of his own physical and mental identity, as distinct from that of others, so he extends that awareness to the product of the labour of his own physical being, and then, gradually to the produce of the labour of other people's physical beings.

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(1) Nat. & Artif., p.154.

"As nature gives to labour whatever it produces - as we extend the idea of personal individuality to what is produced by every individual - not merely is a right of property established by nature, as we see also that she takes means to make known the existence of that right." 1.

In fact, so fundamental is the awareness of this natural right of property to mankind's make-up and being, that "it is as impossible for men not to have a notion of property, as it is for them to want the idea of personal identity. When either is totally absent, man is insane".<sup>2</sup> Such ideas about property, are, therefore, instinctive, and are acquired prior to, and independent of, any cognizance of human law.

Hodgskin's conception of "naturalness" extends beyond this psychological dimension, also, to cover the notion of universality. That the labour-based right of property is natural is evidenced by its universal operation, he declares.<sup>3</sup> Now, this claim is patently ambiguous given Hodgskin's allegation that the legal right of property, albeit continually subverted by the natural right, actually succeeds in depriving the worker of the fruits of his industry in current circumstances. Hodgskin cannot be arguing, then, that labour actually receives its due reward, since distribution is presently not according to right, but if we understand by his statement that "nature bestows on ... labour ... whatever it can produce",<sup>4</sup> the idea that labour alone is productive<sup>5</sup> and thus capable of appropriating the fruits of the earth or of producing any kind of new wealth,<sup>6</sup> then it is possible to see how Hodgskin might conceive of the natural principle of appropriation as

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(1) Nat. & Artif., pp.29-30.

(2) ibid., p.30.

(3) ibid., p.36.

(4) Nat. & Artif., p.36.

(5) Cf., Lab. Def. where Hodgskin refutes the claim that capital is productive.

(6) i.e. manufactured goods.

universally operative. This would entail, of course, a different connotation being given to the notion of appropriation. Appropriation would cease to represent the generation of a legitimate title to property, but simply signify acquisition or production. Since Hodgskin was adamant that only labour could be regarded as productive, this interpretation may not be that far-fetched.

The distinction we are making is, therefore, between the manner in which wealth is initially acquired and the manner in which it is subsequently distributed after that acquisition.

Hodgskin also regards a right of property as universal, in a more traditional sense, namely that every race has some conception of property based on labour individuation, supplemented by an awareness that to take from others is, generally speaking, wrong, which relates back, of course, to his conception that an awareness of proprietary right in others forms part of man's perception of self-and other-identity.<sup>1</sup>

The final connotation given to the concept of 'natural' by Hodgskin refers to the sense in which the natural right of property comprises a self-evident right. Contrary to the proposition advanced by Bentham, that the law alone can generate a secure expectation of the derivation of the "appropriate advantages from the things we make"<sup>2</sup>, Hodgskin believes that this expectation is inherent in the process of labouring, forming a "component part of the idea of individual production".<sup>3</sup> The expectation of enjoyment operates as universally as

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- (1) Hodgskin cites the example of the Eskimos who, whilst respecting the rights of property of their compatriots, did not extend that respect to the property of their European visitors, Nat. & Artif., p.38.
  - (2) ibid., p.33 Bentham, Traité de Legislation cited by Hodgskin. No page ref.
  - (3) ibid., p.33.

the principle of labour individuation, and provides the prime motive for that individuation, furnishing a natural, not legally sanctioned, basis for production.

A labour-based right of property is natural, therefore, in a number of ways: it is instrumental to man's existence as enjoined by Nature, it is just, it is inherent in his make-up, it is universal, and it is basic to the continuity of production.

Just as nature establishes the right of property, so too does it provide the means for securing that property once acquired. By creating mankind approximately equal in bodily strength, skill and capacity, and by endowing them with similar facilities for acquiring knowledge, Nature has provided that it "must be at all times more difficult for one man to take, by force, from another what the latter has already made, than to make something similar for himself".<sup>1</sup> In the former instance man has to overcome the opposition of his fellow; in the latter, simply to co-operate with a compliant Nature.

Man's capacity to defend his acquisitions is, according to Hodgskin, normally proportionate to his productive capacity.

The same strength or skill which enables one man to catch more game or fish, or create more wealth than his less skilful or weaker compatriot, will enable him to defend his acquisitions. 2.

Most theories of property are, therefore, concerned not only with the manner in which a title to property is generated, but also with the issue of how that right, once created, may be protected, an issue which frequently relates to the role of government. For Adam Smith,

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(1) Nat. & Artif., p.30.

(2) ibid., p.31.

the answer lay in the necessary (and inevitable) institution of government, and the development of various forms of coercive law enforcement.<sup>1</sup> Similarly, for the Utilitarians, security of property necessarily required the operation of positive law.<sup>2</sup> Hodgskin, however, with his anathema of social regulation, founds the security of property upon the natural equality of man. Nature furnishes man not only with an innate conception of property, but also with the means for securing that property. Any socially constructed apparatus for its preservation is then, at best, superfluous, and, at worst, positively iniquitous.

The question of the relationship between government and property in Hodgskin is interesting. Hodgskin derives his conception of the origin of property from Locke. Now, Locke was of the opinion that "The great and chief end ... of Men's uniting into Commonwealths, and putting themselves under Government, is the Preservation of their Property",<sup>3</sup> for only under conditions in which men have an "establish'd, settled, known Law",<sup>4</sup> a "known and indifferent Judge",<sup>5</sup> and the "Power to back and support the Sentence when right, and to give it due Execution",<sup>6</sup> will security of property be guaranteed. Hodgskin, however, adopts a

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(1) See above, chapter 1, section 4(ii), pp. 54-70.

(2) See above, chapter 5, section 1, pp. 320-336.

(3) Locke, Civil Government, § 124 (original emphasis), By 'property' Locke here signifies "Lives, Liberties and Estates", not simply lands and goods.

(4) ibid., § 124 (original emphasis)

(5) ibid., § 125 (original emphasis)

(6) ibid., § 126 (original emphasis)

different standpoint. The chief object of positive law is not, he alleges, the preservation of property (according to natural right), but the enforcement of obedience to the legislator. Indeed, Hodgskin even goes as far as to identify the law with the "will of the law-maker", that is, with the "expression of his desire to have wealth, and retain power and dominion".<sup>1</sup> Government becomes, therefore, merely an instrument of economic domination;<sup>2</sup> as such it "produces nothing ... all its revenues are exacted by violating the natural right of property".<sup>3</sup> The law represents, thus, the means to "appropriate to the law-makers the produce of those who cultivate the soil."<sup>4</sup>

Far from law and government preserving man's natural right of property, they function by systematically abrogating that right. Thus:

Under the false pretence of protecting them in the use and enjoyment of the produce of their labour, it takes so large a portion of it for those who make and administer the law, that what it leaves, did it secure that, would be scarcely worth having; but the system, for administering which payment is demanded, is so completely one of extortion that the actual labourer is only allowed to retain for his own use as small a portion as possible of the munificent gift with which nature rewards his exertions. 5

As we shall see below, it is this very institutionalized abrogation of the natural law of appropriation that forms the basis of Hodgskin's critique of the prevailing capitalist mode of production.<sup>6</sup> Was the law of nature to operate unrestrained, then property would be distributed according to industry and skill. Before considering by what means the

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(1) Nat. & Artif., p.47.

(2) Cf., Halévy, Élie, Thomas Hodgskin, ed., Taylor, A. J. (London, Ernest Benn Ltd., 1956) p.121.

(3) Nat. & Artif., p.50.

(4) ibid., p.47.

(5) ibid., p.54.

(6) See below, chapter 7.

violation of the natural right of property perpetrates the exploitation of the labouring classes, we must first examine Hodgskin's treatment of the origin and development of the natural and artificial rights of property in land respectively.

Section 2: The Natural and Artificial Right of Property in Land  
Contrasted

Hodgskin's consideration of the origin of property in land is significant in two respects: principally, because Hodgskin adopted the stadial hypothesis presented by Smith in the Wealth, modifying it in the light of the Lockean "use" proviso alluded to previously;<sup>1</sup> and secondly, because of his adherence to the view that the present pattern of property distribution in land, emanates from the Norman conquest of Europe.<sup>2</sup>

The natural boundary to the extent of individual use-rights<sup>3</sup> in land is, à la Locke, set by "as much land as a man tills, plants, and improves, cultivates, and can use, the product of so much is his property."<sup>4</sup> In other words, the parameters of such individuated shares relate to the extent of man's labour, and his capacity to utilise the produce of that land. The genesis of this "use" requirement can, quite obviously, be traced back to Locke, who had argued that the size of property-holdings was contingent upon two factors: that there be "enough, and as good left in common for others",<sup>5</sup> and that man ought only to appropriate "as much as (he) ... can make use of to any advantage of life before it spoils".<sup>6</sup> Why Locke should be so concerned

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(1) Cf., Section 1 above.

(2) This idea may also be discerned in the works of, e.g., Tom Paine and William Thompson.

(3) Nat. & Artif., p.36. Hodgskin here declares that "the right to own land is in fact only the right to own what agricultural or other labour produces". As we shall see shortly, there is some ambiguity as to Hodgskin's position on the issue of property in land; he appears to vacillate between a full right of ownership of the land, and a right of usufruct.

(4) ibid., p.61.

(5) Locke, Civil Government, § 27.

(6) ibid., 31.

with the limits on permissible appropriation from the common it is not our purpose to explore.<sup>1</sup> However, what is important is the both implicit and explicit inclusion of these limiting clauses within Hodgskin's theory of property.

As we have already seen, the quantity of land capable of permissible individuation is determined by labour-capacity, and use. Clearly, this "use" proviso would seem to derive from the spoilage limitation identified by Locke. Man's primary duty is to self-preservation; since he requires subsistence, this necessarily involves him in appropriation, in enclosure from the common. However, since all men are equal, each has an equal right to appropriate in order to survive. Unlimited appropriation resulting in waste necessarily denies to some individuals the fulfilment of their natural rights and duties, and is, therefore, contrary to the law of nature. By enjoining against waste, Locke is endeavouring to ensure that artificially created conditions of scarcity cannot arise.<sup>2</sup>

Since Hodgskin also believes that it is every man's primary duty to preserve himself, and since the bequest of the earth to mankind in common is a bequest open to the enjoyment of all, then it is perfectly feasible that he should regard evidence of spoilage as evidence of the contravention of natural law, and that it is this concern that underlies the stipulation from use derived from Locke.

Keen to establish, therefore, that multiple "use-rights" in land may be satisfactorily accommodated as society advances, and population increases, Hodgskin builds other conditions into the

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- (1) Cf., e.g., Parrv. op. cit., pp.49-61; Macpherson, C.B., The Political Theory of Possessive Individualism, (Clarendon Press, Oxford, 1962) pp.194-222; Ryan, op.cit., pp.14-48; Waldron, Jeremy, "Enough and as Good Left For Others", Philosophical Quarterly, Vol. 29, 1979, pp.319-28.
- (2) Cf., Civil Government, §§ 25-48.

essentially Lockean framework within which he is working. Firstly, in recognition of the variable fertility of land, Hodgskin asserts that "the quantity necessary for each individual, ... must vary with the qualities and situation of the soil"; and secondly, that the extent of such property-holdings must vary with the "skill and knowledge of the people".<sup>1</sup>

With regard to the first of these additional clauses, Hodgskin appears to be interpreting the "sufficiency" proviso in qualitative terms. The leaving of "enough, and as good" for others implies, to Hodgskin, not the leaving of a quantitatively equivalent amount of land, but rather a qualitatively equivalent amount. Clearly the quality of land can be altered and improved through technological advance and advances in cultivation technique, and so Hodgskin makes allowance for this possibility in his second additional proviso, namely, that the quantity of land necessary to the support of life is regulated according to the "skill and knowledge" of the population.

Before examining the manner in which these conditions are to operate in practice, it is worth highlighting the standpoint adopted by the author on the question, and function, of population growth. Malthus had argued that the apparently inexorable tendency of population growth to outstrip the capacity of the means of subsistence to support that growth, would, unchecked, necessarily entail the impoverishment of a growing number of people. Population growth was, therefore, something to be restrained.<sup>2</sup>

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(1) Nat. & Artif., p.62.

(2) Cf., Malthus, Thomas Robert, An Essay on the Principle of Population as it affects the Future Improvement of Society, with Remarks on the Speculations of Mr, Godwin, M. Condorcet, and other writers, (London, 1798); An Essay on the Principle of Population; or, a View of its Past and Present Effects on Human Happiness; with an Inquiry into our Prospects respecting the Future Removal or Mitigation of the Evils which it occasions. (London, 1803); "Population", in the 1824 Supplement to the Encyclopaedia Britannica; and a Summary View of the Principle of Population, (London, 1830). Malthus envisages both the operation of natural restraints, famine, wars and plagues, and moral or prudential restraints.

In contradistinction to Malthusian orthodoxy, Hodgskin held the belief that population increase was actually the dynamic of change in society. So: "As the world grows older, and as men increase and multiply, there is a constant, natural, and necessary tendency to an increase in their knowledge, and consequently in their productive power".<sup>1</sup>

It is necessity that compels them to develop new techniques and modes of subsistence. Knowledge is generated, therefore, as a by-product of necessity. By adopting this viewpoint Hodgskin is challenging Smithian orthodoxy which regarded division of labour as the source of the development of skill and invention.<sup>2</sup> In formulating this challenge, and in illuminating the manner by which a legitimate, and limited, right to property in land may be engendered, Hodgskin utilises the Smithian format of a four-stage theory of societal evolution.<sup>3</sup>

With regard to the pattern of necessity, Hodgskin observes that initially men subsist by gathering the spontaneous produce of nature. Once such produce had been exhausted, then "hunger stimulated the ingenuity of man", directing him to seek subsistence through hunting and fishing. The growth of population rendering these resources insufficient leads men on to farther improvements", beginning with a rudimentary form of agriculture, through primitive manufacturing, and terminating finally in the "refined cultivation, and ... wonderful inventions of our own times".<sup>4</sup> And thus:

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(1) Pop. Pol. Ec., p.95 (original emphasis).

(2) Cf. ibid., pp.77-83.

(3) For a consideration of Smith's treatment, see above, chapter 1

(4) Pop. Pol. Ec., p.85. Cf., Stark, W., The Ideal Foundations of Economic Thought (London, Kegan Paul, Trench, Trubner and Co. Ltd., 1943), pp.87-89.

that same power which has established a right of property in what individuals create or produce, has also provided for the continual multiplication of the species, which multiplication affects the right of property in land. 1.

It is man's capacity to labour, then, that both generates a right of property, and ensures that alternative means of subsistence will be generated in times of scarcity produced by population growth.

This link posited, by Hodgskin, between labouring capacity and the means of procuring subsistence must take account of the relationship between labouring and land. The argument developed by Hodgskin to support his case that natural law sanctions a right of property in land, must be capable, therefore, of demonstrating how such a right is compatible with the provision of sustenance for a constantly increasing population. He has, as it were, to disclose how nature can ensure to men the provision of subsistence once exclusive (use-) rights to land have been established. The basis of his argument is grounded in the assumption that the labour-expenditure, and "use" requirements, previously adverted to, together with the assumptions concerning necessity and knowledge, will necessarily alter the quantitative dimension of land-holdings through time so that there is always sufficient land, or access to land, to support the population. What Hodgskin asserts, then, is that as society develops, and as population increases, a progressively diminishing amount of land will suffice to support the individual. In order to demonstrate how such a practice functions, Hodgskin has recourse to the Smithian theory of stadal development, modified in the light of the Lockean "use" proviso.<sup>2</sup>

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(1) Nat. & Artif., p.62.

(2) Hodgskin's version of the stadal hypothesis is different to Smith's in that it is directed exclusively to the origination of property in land, and ignores the question of the other forms of property, characteristic of the pre-agricultural stages.

The first stage in societal evolution is that of the hunters.<sup>1</sup>

Here men roamed the earth seeking subsistence wherever it was available.

Under such circumstances, though no individual could possibly care much for any particular spot of ground, yet to each one it must have appeared, - and in fact it was, - necessary to have an extensive district, wherefrom to obtain wild animals, or wild fruits. 2.

Thus, according to the Lockean use proviso, man is entitled, by nature, to use a greater quantity of land than will suffice for his subsistence in a more sophisticated age.

From the age of hunters, man progresses to the age of shepherds. On the assumption that shepherds are itinerant creatures, Hodgskin notes that "even in this condition they required extensive territories, though not equal to those required by the hunters."<sup>3</sup> The amount of land necessary for existence is gauged, therefore, according to the "quantity necessary for the pasturage of ... cattle."<sup>4</sup>

In both of the above instances, it is clear that no individual is actually enclosing any portion of land from the common. The rights which man has to the land are, as it were, rights of usufruct. The land itself remains common, held by a kind of universal and inclusive right. One obvious reason for this lack of individuation derives from the fact that, in both of these early stages, movement is necessary to the pursuit of subsistence; in other words, hunters and shepherds are, *ipso facto*, nomads, travelling through the land in order to procure subsistence. The portion of land they utilise today may well be different from that which they will utilise tomorrow.

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(1) And fishermen, although for the purpose of property in land, consideration of such men is irrelevant.

(2) Nat. & Artif., p.64.

(3) ibid., p.64.

(4) ibid., p.65.

For the agriculturist the case is, however, different, for:

in order to prosecute his art, he was obliged to remain in one spot. That spot, within which he limited his labours; that small spot, which he and his family cultivated, he called his. 1.

The application of labour directly to the land, and the necessity for fixed habitation, means that as the quantity of land requisite to subsistence has diminished, so the right of property has become more absolute. Portions of land have been individuated from the common. Thus, it is the application of labour that generates the title to the land in question contingent always upon the parameters defined by the usage clause. Whether this application of labour generates simply an individuated use-right to the land, and exclusive title to its produce, or whether it actually generates an exclusive right of ownership to the land, remains somewhat obscure. All that Hodgskin actually argues is that, in the age of agriculture, a man is naturally entitled to "till, plant and cultivate" only as much land as will "supply his family with food",<sup>2</sup> which suggests an individuated use-right. This view is reinforced by the definition of property outlined by Hodgskin, which stipulates that a right of property, is a right to the "separate and selfish use and enjoyment, (of) the produce of ... (man's) own industry",<sup>3</sup> and given added credence by the fact that improvements in agricultural technique rendering a smaller extent of land adequate to the support of man would necessarily entail an actual reduction in the landholdings of all. If we assume that the gift of the earth to

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(1) ibid., p.65.

(2) ibid., p.65.

(3) ibid., p.24.

the use and enjoyment of mankind in common implies equality of opportunity for that use, then the title to land must imply simply a right of use, and not of ownership. As we can see from his treatment of the actual evolution of a right of property in land, and the subsequent development of rental practices, it is the fact that the appropriation of vast tracts of land precludes the opportunity of access to that land, that forms the basis of his critique. However, the point remains ambiguous.

It has been our claim, in interpreting Hodgskin's treatment of the natural right of property relative to land, that he incorporates both Smithian and Lockean notions into his theoretical framework. There is, however, an analytic incompatibility between this essentially Lockean account of appropriation and the Smithian stadial hypothesis into which it is fitted.

Locke's treatment of property rights moves from the appropriation of the spontaneous produce of nature to the exclusion from the common of land. In many respects his primary focus is, in fact, the development of property in land. His explanation of the pattern of this appropriation moves from that stage in which the parameters of landholdings were defined by the "sufficiency" and "spoilage" conditions, to that in which such natural circumscribing conditions could, in fact, be abrogated, and an unlimited right to property in land be legitimated. The justification for an individual, exclusive and potentially unlimited title to property in land is therefore, the crux of Locke's theory of property.<sup>1</sup>

Smith's concern is, however, somewhat different. He is concerned with both the gradual extension of the powers inherent in a right of property - the right of inheritance, for example - and with the extension

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(1) In other words although the rights are limited (by the "spoilage"/"use" provisos), money makes those limitations potentially avoidable.

in the range of objects capable of appropriation, all of which is set within the framework of a theory of stadial development. Where Locke jumps from the gathering stage to the agricultural stage, Smith takes account of the intermediate shepherd stage, defined in terms of the ownership of herds and flocks, and characterised by the emergence of a right of property, per se, and the development of rights deriving from accession.<sup>1</sup>

Hodgskin, whilst acknowledging that society evolves through this intermediate stage, is guided by a Lockean concern with the just parameters of permissible landholdings, to ignore the differentiating proprietary characteristics of the age identified by Smith, and to concentrate upon the problem of the extensiveness of the land required for grazing. The two traditions sit, therefore, somewhat uneasily, since in their initial formulations they were concerned with different questions.

The key to Hodgskin's treatment of the evolution of a natural right of property in land is, thus, regulated by the idea that the size of legitimate landholdings ought to diminish in the advancement of society, and in accordance with developments in technology.<sup>2</sup> However, although nature prescribes such a policy, artificial law effectively denies its operation. The lawgiver, in order to preserve the existing distribution of power and privilege in society, has enacted positive laws in direct contravention of this natural law,

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(1) See above, chapter 1, section 2.

(2) This functions both between and within stages, thus improvements in agricultural technique lead to a greater labour-intensiveness of cultivation, leading Hodgskin to assert that: "as agriculture is improved, the quantity of land necessary to supply each individual with the means of subsistence diminishes", ibid., p70.

hence, for example, the generation of the laws of primogeniture and entail governing the bequest of landed estates in modern society.

Hodgskin explains the reason for the divergence between the actual pattern of property in land characteristic of modern Europe, and that path ordained by Nature, in terms of the actual historical development of Europe. The artificial right of property in land emanates, he declares, from the forcible usurpation of the land of the Roman Empire during the Norman Conquest.<sup>1</sup> Ignorant of the natural principles regulating the acquisition of property in land, these conquering tribes transposed their own ideas about property - derived predominantly from the age of hunters, or the age of shepherds - on to an embryonic system of agriculture.

Knowing very little of agriculture, their ideas of property in land were derived, from a state of society in which ... each man required a comparatively large quantity of land to provide the means of subsistence. 2

Land was, through ignorance, therefore, apportioned according to retrograde parameters of use. More than simply determining the prevailing pattern of landholdings, the conquerors, from their position of power, were also able to determine legislation. "They did not", as it were, "lay down the sword the instant they had overrun the land", but, "kept it drawn in their hand, and engraved with it laws for the conquered", and, thus, "power so acquired, and privileges so established, were the basis of the present political and legal, not social, edifice of Europe".<sup>3</sup> And so, Hodgskin concludes, "on conquest [has] all the legis-

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(1) Cf., ibid., p.73

(2) ibid., p.70. Hodgskin quotes extensively from the Wealth of Nations (WN.III.1-iv) in support of his case.

(3) Nat. & Artif., p.73.

lation of Europe" been founded, and in consequence, only "conquerors and their descendants have been law-makers".<sup>1</sup>

In addition to the unnatural acquisition (through conquest) of vast landed estates, the barbarian invaders of Europe also acquired, pari passu with that development, the inhabitants of those lands, since agriculture, within the Roman Empire, was the province of slave-labour. This act has significant implications for Hodgskin's critique of rent. As we observed in chapter 4, the classical economists regarded rent as a legitimate return to the owner of the factor land.<sup>2</sup> The landlord received rent because of the superior productivity of the land he owned, over that of marginal land. Hodgskin, in a letter to Francis Place, sets about criticising this theory. "I do not", he declares:

in the first place deny that there may be a difference in different soils which may make the produce of some greater than others - that the necessity of having recourse to these worse soils has increased rent in modern times - nor that Mr. Ricardo's doctrines do not very happily explain the great increase of Rent within this last half century. But I deny that Rent originated in this difference of soil and that the Rent which is now paid is nothing but the difference between the produce of equal quantities of capital employed on soils of different powers of production. For Adam Smith said, and he said truly, that men pay a rent for fish ponds, for rivers, for gathering kelp, and for barren moors. Or, what

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(1) ibid., p.73

(2) See above, chapter 4, section 1.

is the same thing, they pay some monopolists for permission to fish in rivers (etc.,) ... It is an undoubted fact that land, and with that every means of subsistence, was overrun and monopolised by a few persons in every state of Europe.

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The purpose of Hodgskin's criticism is not to deny that, in actuality, differential fertility may determine the rate at which rent is paid on land; but to demonstrate that the Ricardian thesis is, both defective and incomplete, in terms of its explication of the origin of that rent. The differential theory propounded by Ricardo, inter alios, explicated only how rent may be calculated; ignoring the issue of why rent emerges in the first place; and also had the added advantage, since rent was made extraneous to cost of production, of not appearing to be a source of immiseration, an assumption generated by Ricardo's belief that the natural wages of labour are regulated according to subsistence requirements.<sup>2</sup>

It is Hodgskin's view, however, that rent emerges because of the violation of natural law, through usurpation and conquest; and through the prior existence of slave labour upon the land thus unnaturally acquired. The thesis Hodgskin is attempting to explicate may be seen in the following statement, -- he is "disposed to believe such a thing as Rent would never have existed had there never been Slaves."<sup>3</sup>

The genesis of the development of rent is traced accordingly: in appropriating the land, the few conquerors also appropriated the slaves working upon that land. At first, they employed and fed these

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(1) Hodgskin to Francis Place, 28 May 1820, B.M.Add. MSS. 35, 153, f. 142ff., cited in Halévy, op. cit., pp.68, 71, (original emphasis).

(2) ibid., pp.68-72. Cf., Hodgskin, Labour Defended Against the Claims of Capital, pp.29-32.

(3) Hodgskin to Place, op. cit., p.72. (original emphasis)

slaves, appropriating to themselves the produce of their labour, but after some unspecified period of time, they sold or exchanged this "power over their slaves" to other persons who released the slaves from personal service, but still compelled them to labour on terms stipulated by the landlord, thus commuting into corn duties, and later money rents, those previously operative personal services. "It is", thus, "for a portion of this power over an already appropriated land that rent is paid in Europe".<sup>1</sup> In other words, it is because land, a means of production, is monopolised by the few that rent must be paid for its use. The implications of the payment of rent for the natural law of appropriation will be deferred until the next chapter, when we consider the theories of exploitation expounded by the anti-Ricardians, including Hodgskin, in their respective critiques of the prevailing capitalist system.<sup>2</sup>

Having observed, therefore, that the rules governing the regulation of land emanate directly from conditions of conquest, and represent evidence of the functioning of the artificial right of property, Hodgskin sets out to explore the means by which this artificial right is being gradually, though inexorably subverted in the progress of society. To do this he focuses upon, inter alia, two areas, namely, the abolition of slavery, and the gradual rise of the middle classes, which treatment will form the substance of the next section.

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(1) ibid., p72, (original emphasis). Cf., pp71-72.

(2) See below, chapter 7, section 2.

Section 3: The Abolition of Slavery and the Inexorable Rise of the Middle Classes.

It is Hodgskin's contention throughout the Natural and Artificial Right of Property Contrasted, that the artificial right of property is being continuously undermined by the almost imperceptible, but inexorable operation of the natural law of property, and this, he argues, is evidenced by the abolition of slavery, and the rise of the middle classes, processes both contrary to the interests of the landed classes.

As we have seen, when the barbarian invaders conquered Europe they seized not only the land, but also the inhabitants of that land, who became slaves. Hodgskin is subscribing, then, to the myth of Anglo-Saxon freedom before the Conquest. Since slavery and serfdom have now disappeared, however, he is concerned to ascertain whether this was at the express behest of the legislating, landowning classes, or, whether it had occurred despite their contrary machinations.

Hodgskin's answer to this question involves the development of a principle of interest for our understanding of the relationship of natural to positive law, and of the means by which the natural right of property is able to continually assert, and reassert itself, namely, the notion that the legislative recognition of the processes in question, was dependent upon man's prior and actual attainment of those rights in practice. The right of the serf to "personal freedom, and his right to own what he could earn were not recognised either by the common or written law, till he had obtained freedom and wealth";<sup>1</sup> or, in other words, until he had acquired the actual power and means to assert and defend those rights against his former master. This suggests that the legislator is frequently compelled simply to cop

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(1) Nat. & Artif., p.90. (My emphasis).

and give official sanction to, existing usage.<sup>1</sup> He does not originate these rights in the first place, but is simply unable to resist their evolution. In order to comprehend why such rights evolve irresistibly, we must consider Hodgskin's conception of the relationship between property rights and material development.

In his endeavour to demonstrate the inevitability of the subversion of artificial law, Hodgskin considers the case of the abolition of personal slavery, and the ensuing growth of the middle classes, pinpointing the source of these two occurrences in the advancement of science and art, and in the introduction of commerce and manufacturing consequent upon population expansion.<sup>2</sup> Thus, he declares, the multiplication of traders, manufacturers, and artisans, together with the development of cities, has "worked a conspicuous alteration in all the moral relations of society, gradually mastering the landed aristocracy, and gradually tending to extinguish it."<sup>3</sup> So, it is the inevitable tendency of mankind to progress that acts as the catalyst for change in society, altering both the socio-political environment, as well as the moral, by altering material circumstances, and the pre-existing pattern of human relationships. As he observes, although

we may not be able to foresee the moral effects of the splendid mechanical inventions of modern times, yet we may be sure that they are the harbingers of a more extensive change in the moral condition of society, than was ever effected by political institutions. 4

Obviously, this suggests a materialist base to Hodgskin's perception of the way in which the natural right of property undermines the artificial

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(1) ibid., pp.105-130.

(2) Cf., Adam Smith, WN.III., whom Hodgskin cites as an authority in this sphere.

(3) Nat.& Artif., p95.

(4) ibid., p91

right; and, a materialist account of societal evolution, a view reinforced by his explanation of the rise of the middle classes. As men increased in number, new businesses and arts were generated; which, in turn, gave rise to the formation of new wants, and to the development of new luxuries to gratify those wants. This process necessarily entailed the creation of a new class of men, and, more importantly, led to the creation of new species of wealth which simultaneously generated new rights of property. Clearly, Hodgskin does not mean by the creation of new rights of property, a new appropriative principle, but rather the generation of new, as opposed to pre-existing, claims on that property. Where land was monopolised by the descendants of the conquerors, and where anything affecting land would necessarily affect the property rights and interests of that class, the generation of innovative kinds of wealth cannot affect those old rights, but instead relates to new sources of property, and power. This is elucidated by the author in the following way:

The idea of property seems formerly to have been limited to land, or what the gentlemen of your profession still call real property. In fact, even yet, much confusion exists from many persons still speaking of property as if there were only real property. Because the soil is appropriated by one class of men, the labourers have a claim on them for relief; and this was formerly confounded with the appropriation of property. At present the idea of property is much more extensive, and the labour employed about land supplies but a part of the wealth of the community. 1

The right to this new property is now, he notes, generally recognised to be as sacred as the landed property of yore, though, initially it was not. This change in the idea of what could legitimately constitute property, not only modified perceptions of property, but, in

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(1) ibid., p95.

addition, led to the recognition of another class, with the potential to undermine the seemingly unassailable position of the landed aristocracy, and whose power and privilege were dependent on an alternative form of property. Ultimately, however, the growth of the middle classes can be attributed to recognition of the individual's natural right to the product of his industry.

When Hodgskin discusses the middle classes, he is usually referring to the capitalist class. Now, the capitalist, for the author, was originally a labourer. Having wrested his liberty from his master, by compelling the latter to respect his right to use the produce of his own industry, the capitalist was able to earn a profit on what he could save from that product, by inducing the landowner to buy from him. So the capitalist, once emancipated, could transfer the use or loan of the "new property the slave<sup>1</sup> had the skill to create, and the economy to spare", to the landlord.<sup>2</sup> The natural and inevitable development of capitalism arises, therefore, out of the ultimate human propensity to acknowledge, "that great natural principle, the foundation of all property, that each individual has a right to the free use of his own limbs, and to the produce of his own labour."<sup>3</sup>

It is because man, through his capacity to labour, which forms the foundation of his appropriative right, is able to generate new kinds of wealth, that he is able both, to alter the material conditions surrounding him, and, thereby, to give rise to the circumstances in which the artificial right is undermined by the natural right of property.

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(1) The slave in question being the capitalist prior to his emancipation.

(2) Nat. & Artif., p99.

(3) ibid., p99.

The landlord was, thus, effectively displaced in the power hierarchy of the country by the capitalist, because the latter gradually acquired the means and power capable of supporting his position against the landlord, and as a consequence, the law came to recognise and protect the right of the latter to his property. That the capitalist was, in fact, acquiring additional property by unnatural and illegitimate means, seems not to have troubled Hodgskin at this point.<sup>1</sup> He is concerned here only to demonstrate that in spite of the wishes of the landed (legislating) classes to the contrary, they are always ultimately compelled to recognise rights of property - generated naturally - to forms of wealth other than land. This process, for Hodgskin, reflects the insidious and universal operation of the natural law of property.

The natural right, existing at all times, gradually supersedes the law of the land, and effectually secures those new rights belonging to individuals, which, as men multiply, are continually created. 2

Having illustrated the contention that the natural right of property has a perpetual and unremitting tendency to invalidate the artificial right of property. Hodgskin moves on to consider the basis of obedience to law, both natural and artificial, which centres on two notions: the idea of mutual respect, entailed by man's recognition of the property rights of others, as an aspect of their otherness as individuals; and the idea that public opinion provides a sufficient basis for the protection of the right of property. Consideration of these twin elements of his thought will be deferred until chapter 8, where we examine how Hodgskin conceived the origin, operation, and protection of the natural right of property, and consequently the means by which the labourer could be reconciled with his product.<sup>3</sup>

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(1) See below, chapter 7, section 2.

(2) Nat. & Artif., p.102.

(3) See below, chapter 8, section 1.

### Conclusion

Thomas Hodgskin was a natural rights theorist. For him, property represented a natural, inalienable right existing independently of, and anterior to, legislation or government. Like Locke, his mentor in this respect, Hodgskin conceived of this right of property as natural in the sense of given by Nature (or God) to all men, and as relying upon the expenditure of labour for its embodiment. Thus, following Locke, Hodgskin grounded this natural right of property in Nature's investiture of a right of property in man's person, thence in his labour, and thence in the produce of that labour. In addition to this, and unlike Locke, Hodgskin, as demonstrated in section 1 above, also employed the term "natural", to cover a broader conception than that outlined above. Thus, the individualistic right of property characterised by Hodgskin as a natural right of property, was natural in four other senses. Firstly, "natural" implied just, so entitlement grounded in labour expenditure was just, not the unnatural, and therefore unjust, right of property founded upon conquest. Secondly, "natural" also implied psychologically innate, thus ideas of proprietary distinction formed an inherent part of man's mental composition. Thirdly, "natural" signified universal. Finally, "natural" signified the notion of indispensability to continued production. The idea that labour forms the only original legitimate mode of acquiring property is, of course, fundamental to all this. This view led Thomas Hodgskin to champion the claims of labour.

The historical framework for the enunciation of this natural rights doctrine of appropriation is set, in great part, by the argument devised by Locke in the Two Treatises. However, that is not to say that Hodgskin was simply a Lockean, for as we observed in section 2, much of the information marshalled in his critique of the evolution of the artificial

right of property in land, founded upon conquest, was derived from Smith. But, as we concluded above, the incorporation of the paradigm of the hypothetical four stages (designed by Smith as a referential framework for his inquiry into the nature, origin, and development of property rights, per se) into the essentially Lockean account of the extent of permissible property holdings in land, governed, in Hodgskin's case, not only by conditions of "use" or "sufficiency", but also by population and technological contingencies, led to a certain degree of analytical tension. In addition to our comments upon Hodgskin's treatment of the just parameters for individuated (use-) rights in land, we also observed, in this section, Hodgskin's critique of the Ricardian differential theory of rent, that it was inadequate to explain the origin of a title to rent, was a product of his belief that conquest seized not only the land but also its inhabitants. Further consideration of Hodgskin's views on land, and the problem of rent, will be reserved until the next chapter, in which we examine the refutations of the claims of land and capital advanced by the anti-Ricardians.<sup>1</sup>

Our main concern in section 3 of this chapter, was Hodgskin's conception of the process by which the artificial right of property was being continuously and irrevocably undermined by the workings of the natural right of property. Here we concluded that Hodgskin enunciated a materialist explanation of socio-political development, arguing that advances in production techniques, generating new species of wealth, led to an alteration in the types of property right recognised by law and government; and, that such legal and governmental recognition was always posterior to, and consequent upon, prior technological progress.

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(1) See below, chapter 7, section 2.

As we noted at the beginning of the chapter, our analysis of Hodgskin's ideas about property was confined to an elucidation of those views articulated in The Natural and Artificial Right of Property Contrasted. Hodgskin did, however, compose a number of other radical economic tracts of significance, namely, Labour Defended Against the Claims of Capital (1825), and Popular Political Economy (1827). An examination of the principal ideas of those tracts will be offered in chapter 7, in which we propose to illuminate the views of the anti-Ricardians about both the just bases of entitlement, and the defects of the prevailing system of industrial capitalism. Whilst it is important to note that, terminologically and philosophically, the framework of the natural rights account of property is largely absent from these two tracts - possibly because both were written prior to Hodgskin's composition of The Natural and Artificial Right - both are underwritten by the contrast between "natural circumstances" and "social regulations" delineated at the beginning of this chapter.<sup>1</sup> That contrast is a direct corollary of the notion of natural rights articulated in Hodgskin's 1832 work.

It is Hodgskin's exposition of a natural rights explanation of the origin of property, which renders him of special note in the period under study, for he is the only author to advance such a theory. Although other anti-Ricardian writers are led to similar conclusions, namely that only the exclusive allocation of wealth (or property) to those who produce it - be it individually, or collectively - is consonant with justice and legitimacy, the philosophical bases of these labour-based theories of entitlement are somewhat different to Hodgskin's

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(1) See above, section 1, p.376.

natural rights doctrine. Thus, William Thompson, for example, espouses an Utilitarian defence of the claims of labour to the entire fruits of its industry, whereas John Francis Bray and John Gray ground their separate, but similar, defences in an argument from equality.<sup>1</sup> Amongst the anti-Ricardians, therefore, Hodgskin is the only one to follow in the natural rights tradition of Locke.

Whilst there is no complete replication of this natural rights argument of property amongst the authors dealt with in this thesis, it is important to observe the relationship between Hodgskin's The Natural and Artificial Right of Property Contrasted, and Herbert Spencer's work Social Statics,<sup>2</sup> for there is considerable similarity between the two works. This is noticeable in their shared antipathy towards Utilitarianism,<sup>3</sup> in their dependence upon Locke for the derivation of their ideas,<sup>4</sup> and in the bases of their critiques of the prevailing system of land ownership. Both men argue from natural rights, identifying the property vested in a man's body, and thus his labour, as the source of property in the produce of that labour; and both men develop an inherently individualistic account of property rights, employing arguments from laissez-faire to sustain that argument. There is, however, one fundamental difference between the two - the status of land. Whereas Hodgskin desires the accessibility of land to all, he is not prepared to countenance any interventionist schemes to secure that accessibility, Spencer similarly

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- (1) See below, chapter 7, section 1.
- (2) Spencer, Herbert, Social Statics: or the Conditions Essential to Human Happiness Specified, and the First of Them Developed, (London Chapman, 1851).
- (3) cf., Hodgskin, Nat. & Artif., pp.12-14, 16-22, 24-25; Spencer, Social Statics, pp.16-24, 103-109. cf., Francis, Mark, "Herbert Spencer and the Myth of Laissez-Faire", Journal of the History of Ideas, vol. 39, 1978, pp.317-328, and Halévy, op.cit., pp.142-3, 167 169, 171. Both Halévy and Francis observe that Hodgskin and Spencer were writers for the Economist at the same time, and that there was frequent, intimate communication between the two, but that any intellectual debt that Spencer may have owed Hodgskin went unacknowledged.
- (4) Cf., Hodgskin, op.cit., pp.23-43; Spencer, op.cit., pp.126-135.

expounding the need for access of all to the land - the common heritage of all men - favours land nationalisation, and the lease of that land to individuals for rent.<sup>1</sup> Since we propose to consider Hodgskin's views on how the natural right of property functions in future society in chapter 8, further remarks about the comparisons and contrasts between Hodgskin and Spencer on this point will be reserved until then.<sup>2</sup>

In this chapter, we have focused principally upon the normative bases of Hodgskin's theory of property. We propose, in chapter 7, to consider, inter alia, Hodgskin's analysis of the unjust workings of the prevailing economic system.

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(1) cf., Spencer, op.cit., pp.119-125. cf., also Hodgskin, op.cit., pp.61-75 passim; Spencer, op.cit., pp.114-125.

(2) See below, chapter 8, section 1.

Chapter 7. Labour, Property, and Exploitation: the Anti-Ricardians  
and the Claims of Labour.

In chapter 4, we observed that, the Ricardian school of classical political economy was typified by its general lack of concern with the issue of the nature and origin of the rights of property, preferring, instead, to assume the prevailing pattern of property as data, and to focus on the empirical aspects of income distribution.<sup>1</sup> For the anti-Ricardians, Thomas Hodgskin, John Gray, John Francis Bray, and William Thompson, however, the question of the legitimate basis of appropriation is fundamental to the issue of income distribution, as, without some standard of just individuation, it would be impossible to evaluate the workings of the prevailing capitalist system. This just standard is uniformly represented by these authors as labour-based, encapsulated most famously in the statement that, "the whole produce of labour belongs to the labourer".<sup>2</sup> It will be the principal aim of this chapter, therefore, to examine both the general justificatory theories of property advanced by the authors in question, with the obvious exception of Thomas Hodgskin, whose theory of appropriation formed the subject of the preceding chapter,<sup>3</sup> and the grounds upon which they determined that the system currently in operation was inherently exploitative, since each subscribes to the view that the labourer is being systematically denied the full fruits of his endeavour.

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(1) See above, chapter 4.

(2) The phrase derives from Adam Smith, WN.I.viii.2.

(3) See above, chapter 6.

As we shall see shortly, labour expenditure not only formed the primary identifying feature in the derivation of rights of property, but also formed the key determinant in the creation of value, a view which led Noel Thompson, in his book, The people's science, to argue that the anti-Ricardians founded their theories of exploitation on the basis of the labour theory of value, concluding that it was through the violation of the natural law of value that exploitation was being perpetrated.<sup>1</sup> However, it is our contention that, whilst the question of value is obviously central to the issue of exploitation, and the immiseration of the labourer, it is, principally, in the abrogation of the natural laws of appropriation and distribution, through the monopoly ownership of the means of production, that the source of exploitation is located.

This chapter will be divided, therefore, into three sections. In section 1, we will examine the question of the just grounds of entitlement, as envisaged by the anti-Ricardians, beginning in section 1(i) with an examination of the labour theories of individuation expounded by John Gray, and John Francis Bray, with a summary recapitulation of the juridical thesis espoused by Thomas Hodgskin; and proceeding, in section 1(ii), with an appraisal of the egalitarian utilitarian doctrine of property derivation outlined by William Thompson. Having considered the grounds of legitimate appropriation, we will move on, in section 2, to the question of the refutation of the claims of land and capital, concentrating primarily on the treatise Labour Defended Against the Claims of Capital, by Thomas Hodgskin.<sup>2</sup> In section 3, we will extend our discussion of the illegitimate grounds of proprietary reward, by

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- (1) Thompson, Noel W., The people's science. The popular political economy of exploitation and crisis 1816-34, (Cambridge, CUP, 1984), p. 90.
- (2) Hodgskin, Thomas, Labour Defended Against the Claims of Capital, (London, 1825).

examining the relationship between the monopoly ownership of the means of production, the determination of value, and the question of unequal exchange as the mechanism of exploitation.

Before going on to consider the theories of appropriation advanced by the authors dealt with in this chapter, some explanation of our usage of the term "anti-Ricardians" to describe the writers, Hodgskin, Gray, Bray and Thompson, was thought necessary. Traditionally these writers have all been denominated "Ricardian Socialists",<sup>1</sup> regarded as deriving their labour economics, especially their conception of value, straight from Ricardo's Principles of Political Economy and Taxation. More recently, however, a number of writers, building on the suggestive comments of earlier interpreters,<sup>2</sup> have challenged this, orthodox view, proclaiming that this group are, more strictly speaking, Smithians, deriving their inspiration from the Wealth.<sup>3</sup>

Whilst the appellation "Smithian Socialist" is to be preferred to the appellation "Ricardian Socialist", on the grounds that the anti-Ricardians did in fact develop their economic thinking more in the

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- (1) cf., Foxwell, H.S., Introduction to Menger, Anton. Right to the Whole Produce of Labour, (London, Macmillan, 1899); Hovell, Mark, The Chartist Movement, (Manchester, MUP, 1925) p.38; Gray, Alexander, The Socialist Tradition: Moses to Lenin (London, Longmans, 1947) p.262; Roll, Eric, A History of Economic Thought, p.247; Beer, Max, A History of British Socialism, (London, Bell and Sons Ltd., 1929), vol I, p.218.
- (2) cf., Lowenthal, Esther, The Ricardian Socialists, (New York, Columbia UP, 1911), p 14 and Douglas, P.H., "Smith's Theory of Value and Distribution", pp.128-133.
- (3) cf., Hollander, Samuel, "The post-Ricardian dissension: a case study in economics and ideology", pp.376-389; Thompson, N.W., "Ricardian Socialists (Smithian Socialists: What's in a name," Faculty of Economics and Politics Research Paper, University of Cambridge, pp.1-26, and The people's science, pp.82-110.

context of Smithian, than Ricardian theory, (witness, for example, the distinction made by Hodgskin between "natural" and "social" price and the treatment of labour quantity and cost-of-production explanations in the Wealth) it is our contention in this thesis, that the appellation "anti-Ricardian" is more suitable still. For, although deriving much positive content from Smith, the main thrust of anti-Ricardian literature is directed against Ricardian orthodoxy. So, for instance, Hodgskin develops his refutation of the claims of capital from a critique of the works of Ricardo, Mill and McCulloch,<sup>1</sup> whilst John Gray, in the Social System, compares his own views and those of the Ricardians on the nature of the laws regulating production, distribution, and exchange in an attempt to show that he alone has addressed the problem of finding an effective and practicable remedy for the evils of commercial society.<sup>2</sup>

In addition, the identification of this group as either Ricardian or Smithian "Socialists" seems questionable on two counts: initially, because it suggests that all the writers dealt with were, in fact, socialists, a point particularly debatable vis-à-vis Hodgskin;<sup>3</sup> and secondly, and relatedly, because it implies that these writers were united as much in their criticism of the defects of capitalism, as in their identification of the circumstances requisite to remedy those defects. But, as we shall demonstrate in chapter 8, the policy prescriptions of the anti-Ricardians were, in fact, many and varied.

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(1) See below, section 2(ii).

(2) cf., Gray, The Social System, (London, 1831) pp. 226-299.

(3) This point will become clearer in chapter 8, section 1.

Section 1: The Just Title to Property

(1) The Labour Theory of Property: John Gray and John Francis Bray

Hodgskin, as already outlined<sup>1</sup>, constructed a natural rights theory of property based on the Lockean notion that nature had invested man with a property in his body, and his labour, and that as such "what he can make or obtain by his labour naturally belongs to him".<sup>2</sup> Distribution of reward proportionate to labour expenditure ought to form the only basis for the partition of wealth or property. Thus, Hodgskin proclaims in Labour Defended, "the product of labour ought to belong to the labourer".<sup>3</sup>

This juridical thesis would apply to both individually-produced goods and those resulting from social production.<sup>4</sup> In the case of socially-produced goods the product would be apportioned to each of the cooperating parties according to the "unfettered judgements of the labourers themselves".<sup>5</sup> Legal, or other, interventions would be unnecessary.

Indeed, Hodgskin is of the firm opinion that property is best secured in the absence of all man-made contrivances, favouring, as we shall observe in the next chapter, not the active reconstruction of society along lines designed to secure labour its entire product, but rather, the removal, or abolition, of all such regulatory phenomena.

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(1) See above, chapter 6.

(2) Nat. & Artif., p.26.

(3) Lab.Def., p.83.

(4) Cf., Lab.Def., pp.82-86; Nat. & Artif., p.35<sup>n</sup>

(5) Lab.Def., p.85.

John Gray, in his treatise, A Lecture on Human Happiness,<sup>1</sup> adopts a similar Lockean framework to Hodgskin, in the enunciation of the right principles of appropriation, noting that since a man has a right of property in his person - "Is a man's right hand his own?" - which may be extended to the "labour of his hands", the expenditure of that labour will generate an original title to property.<sup>2</sup>

Where Hodgskin had argued that this right to property is a natural and inalienable right of man, Gray, at this point, appears merely to be employing an argument from justice. Thus:

In the rudest ages of antiquity, a man who killed an animal for food would look upon it as his property. Should another take it from him, it would be looked upon as an act of injustice, and the attempt to do it would instantly be resisted. 3

To deprive the labourer of his produce is, therefore, unjust. Given Gray's concern to demonstrate the inaccuracy of the notion that "happiness consists rather in the pursuit than in the possession of any object"<sup>4</sup> and to establish the pattern of appropriation, distribution, and consumption most conducive to the happiness of the individual in society, this might lead us to the conclusion that his conception of justice is founded in utility. So justice would be served in property allocation when the labourer is accorded the full fruits of his endeavour, since to do otherwise would be to

(1) Gray, John, A Lecture on Human Happiness, (London, 1825).

(2) Ibid., p.28.

(3) Ibid., p.28.

(4) Ibid., p.9.

cause greater pain than pleasure, and thus to commit injustice. Although he does pay lip-service to the greatest happiness principle, he does not explore its philosophical bases in any depth. Rather, Gray limits himself to a very circumspect attempt to establish that since labour is the "exclusive source of property" so too is it the "exclusive foundation of it".<sup>1</sup>

Labour is the source of property because its expenditure is instrumental in acquiring that property; indeed, Gray conceptualizes property as "nothing more than accumulated labour".<sup>2</sup> Labour is the foundation of property, not for purely instrumental reasons, however, but because the property a man has in his person, which extends to his labour, somehow generates a title to whatever that labour produces or procures. Where Hodgskin, in addition to employing Locke's mixing metaphor, denotes the ways in which labour expenditure naturally and legitimately entitles man to the full fruits of his endeavour, Gray fails to do anything, at this stage, beyond the above pronouncements. Although, the "mixing" notion may be implicit in his argument, its very lack of articulation makes it difficult to discern whether he believed the right to property derived from natural rights or from utilitarian prescriptions. Assuming that his views on entitlement did not alter too radically between the publication of the Lecture and his later monetary reform tracts,<sup>3</sup> then the

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(1) Ibid., p.28 (Original emphasis).

(2) Ibid., p.28.

(3) The Social System: A Treatise on the Principle of Exchange, (Edinburgh 1831); An Efficient Remedy for the Distress of Nations, (Edinburgh, London, 1842); The Currency Question: A rejected letter to the Times, (Edinburgh, London, 1847); Lectures on the Nature and Use of Money, (Edinburgh, London, 1848).

answer to this question concerning the theoretical framework of his elucidation of the just origins of property may be supplied by the following statement derived from An Efficient Remedy for the Distress of Nations<sup>1</sup>, that:

... the rights of all men are by nature equal, and the first and most inalienable right of man is the possession, use and enjoyment of the produce of his own industry.<sup>2</sup>

In other words, the basis of Gray's labour theory of property resides in an argument from natural or equal rights. It is because Nature has created men equal, and endowed them with the same rights, of which the primary and most important is an inalienable right of property, that labour generates such a title.

We shall return to Gray's account of the formation of property rights shortly, when we consider the import of his conceptualization of property as "accumulated labour" for the problem of property rights in land.<sup>3</sup> Suffice it to say at present, however, that like his compeers, Gray evaluated contemporary distributive practices according to their grounding in labour expenditure.

For John Francis Bray, also, legitimate property acquisition was related to labour expenditure. Like Gray, the theoretical framework for

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(1) (London, 1842).

(2) Efficient Remedy, pp.125-6.

(3) See below, section 2, pp.437-444.

Bray's analysis of the just principles of entitlement is provided by an explanation derived from equality. In Labour's Wrongs and Labour's Remedy; or the Age of Might and the Age of Right,<sup>1</sup> Bray outlines four propositions concerning man, relevant to appropriation, viz, that:

1. All men are alike, in regard to their substance; their creation, and their preservation; therefore the nature of all is the same, and the absolute wants of all are the same.
2. ... as the life of no human being can be maintained without a due provision of food, clothing, and shelter, and as these cannot be procured without labour, it follows that every human being ought to labour.
3. As the nature and wants of all men are alike, the rights of all must be equal; and as human existence (is) dependent on the same contingencies it follows that the great field of all exertion, and the raw material of all wealth - the earth - is the common property of all its inhabitants. 2
4. As self-preservation is the end of all labour, and as a general natural equality ... prevails amongst men, it should follow, that all those who perform equality of labour ought likewise to receive equality of reward.<sup>3</sup>

Four factors are of importance here: firstly, man's natural equality with man; secondly, the duty of all men to preserve themselves; thirdly, the assumption that the earth must remain common property; and

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(1) (Leeds, 1839).

(2) Labour's Wrongs, p.17. (Original emphasis).

(3) Ibid., p.30., (Original emphasis).

finally, the requirement of labour in order to secure self-preservation. Where Thomas Hodgskin grounded the right of property in a natural right existing independently of society, or government, Bray adopts an instrumental theory of property grounded in human equality. It is simply a logical consequence of the fact that all men are equal, and that all must labour in order to live, that dictates that the fruit of labour should be ascribed to the producer of it, whilst the field upon which that produce is grown should remain common. Thus, the reward of labour ought to be commensurate with labour expenditure. To deny labour the full fruits of its endeavour is to deny it its just deserts.

Implicit in this philosophy of equal rights is the notion of equality of duty. If three men are placed on a desert island, and each renders an equal portion of labour for the common good, and receives in return an equal reward, the communion is beneficial. Distribution will be consonant with first principles. All have laboured, and all have received a reward proportioned to that labour. But:

... if one of the party, by force or fraud, obtain double allowance of produce for only single work, the union cannot longer be equally beneficial to all three. If, again, the same man compel his fellows to give him double allowance of produce for no labour whatever, every shadow of equality and justice vanishes at once. 1

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(1) Ibid., pp.22-3. (Original emphasis)

The absolute dependency existing between life, the duty to labour, and subsistence, means that the avoidance of labour on the part of any individual will result either in his death by starvation; or in a compensatory increase in the amount of labour performed by the remaining body of men, without, of course, any additional reward for their increase in effort, in order that the non-labourer may subsist.

Given that all men are equal, their rights are also equal, Bray argues. And since those rights are natural and inalienable, they can only be limited by the equal rights of every other man. Thus every man may be said to have "a right to do what he likes - provided the so-doing interferes not with the EQUAL rights of his fellow-man".<sup>1</sup>

Clearly the avoidance of labour on the part of the non-labourer affects no one but himself so long as it results merely in his non-acquisition of subsistence. However, if, in spite of the fact that he is not labouring, this person is still able to acquire goods,<sup>2</sup> then it is obvious, Bray claims, that he is breaking his obligation to his fellows to labour in order to live; and also, that he is violating the natural principles of appropriation. The means by which such violation may be perpetrated are two-fold: monopoly ownership of the means of subsistence - land (or capital) - or the operation of an unjust exchange mechanism, both of which will be considered below.<sup>3</sup>

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(1) Ibid., p.32. (original emphasis)

(2) This excludes invalids, the aged, and children, of course.

(3) See below Section 3.

From his propositions concerning equality, therefore, Bray concludes that, in a well-regulated society, the competing claims of all men to sustenance would be compatible. The exercise of such equal rights, Bray somewhat naively avers, can never lead to conflict or injury. "Every man has an undoubted right to all that his honest labour can procure him. When he thus appropriates the fruits of his labour, he commits no injustice upon any other human being",<sup>1</sup> for he interferes not with the "other man's right of doing the same with the produce of his labour".<sup>2</sup> In a society based upon inequality, and ownership of land, upon, as it were, "the institution of property as it at present exists",<sup>3</sup> conflict and misery would be unavoidable.

With the labouring classes denied adequate means to attain utility, or "what is essential to the support, comfort, and pleasure of human life",<sup>4</sup>

the non-labouring, capitalist class prospers. Indeed, for Bray, it is the very bifurcation of society into two classes, a class to labour and a class to control labour, that typifies societies founded upon the systematic abrogation of the natural law of appropriation.<sup>5</sup> Once again, therefore, as with Hodgskin and Gray, the first title to property is contingent upon the expenditure of labour.

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(1) Labour's Wrongs, p.33 (Original emphasis)

(2) Ibid., p.33.

(3) Ibid., p.17. (Original emphasis).

(4) Ibid., p.42.

(5) Cf., Ibid., pp.1<sup>a</sup>, 42.

It has often been asserted that a revolutionary interpretation of utilitarianism provided the basic philosophical framework for the economic and political writings of the "Ricardian Socialists".<sup>1</sup> Whilst it is true that each, in a general sense, considers man's actions to be motivated by a desire to maximise pleasure and minimise pain, accepting, as it were, the utilitarian postulate of the greatest happiness of the greatest number, only William Thompson actually engages in a thorough-going exposition of utility. As we noted in chapter 5, Benthamite utilitarianism was a fundamentally conservative doctrine. The sacrosanctity of private property, the pre-eminence of considerations from security over those from equality, lead to support for the existing pattern of property distribution, despite the fact that the doctrine of diminishing marginal utility tends to presume in favour of equal possessions. Bentham counsels that redistribution of wealth is only acceptable in so far as such redistribution does not disappoint pre-existing expectations.<sup>2</sup>

William Thompson, however, whilst still concerned with the compatibility of the ends of security and equality, endeavours to develop a theory of egalitarian utilitarianism designed, in part, to serve as a critique of capitalism; in part, as a justification of equality of possession; and in part, as a critique of the doctrines of the classical economists who

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(1) See, e.g. Roll, Eric, A History of Economic Thought (New York, 1956) pp.245-50; Stark, Ideal Foundations, p.52; Bray, op.cit., p.42. The sense in which the utilitarianism of the "Ricardian Socialists" may be said to be "revolutionary" is that it aimed at establishing the happiness of the labourer specifically.

(2) See chapter 5, section 2, pp.320-336.

employed the utilitarian belief in the security of existing property, in their defences of laissez-faire, and market economy.<sup>1</sup> Contrary to Benthamite utilitarianism, which was directed at the question of the goals to be promoted by the legal system,<sup>2</sup> the utilitarianism of William Thompson primarily - though not exclusively - addressed the issue of the goals to be promoted by the economic system in the distribution of wealth; Thompson wanted to establish the conditions most conducive to both, the greatest happiness of the greatest number,<sup>3</sup> and the greatest reproduction of wealth. It will be the aim, therefore, of the next sub-section to consider Thompson's analysis of property in relation to utility.

(ii) William Thompson: an Equalitarian Utilitarian - the Natural Laws of Distribution.

Acknowledging his debt to Bentham, Thompson notes at the outset of An Inquiry into the Principles of the Distribution of Wealth (1824) that:

UTILITY, calculating all effects, good and evil, immediate and remote, or the pursuit of the greatest possible sum of human happiness, is the leading principle constantly kept in view, and to which all others are subsidiary, in this inquiry, In

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- (1) Pankhurst, Richard, K.P., William Thompson (1775-1833), Britain's Pioneer Socialist, Feminist, and Cooperator, (London, Watts & Co., 1954), p.20.
- (2) Ryan, Alan, Property and Political Theory, p.95.
- (3) It is my contention that Bentham and Thompson interpreted this slogan differently. For Bentham the 'greatest number' was deduced by adding up units of utility - the felicific calculus - whereas for Thompson, this unitary analysis becomes confounded with the notion of the 'greatest number' as a majoritarian principle.

Bentham's "Introduction to the Principles of Morals and Legislation" ... this principle ... is developed and established forever, to the exclusion of all other pretended tests of morals.

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Like Bentham, happiness is defined by Thomson as pleasure, or the avoidance of pain. "The object to be aimed at", in all human endeavour is, "the greatest quantity of happiness, (i.e. pleasures ...)".<sup>2</sup>

Where Bentham's objective had been the manner in which legislation could promote utility, Thomson was specifically concerned with the issue of distribution. He wanted to establish which system of distributing wealth would lead to "its greatest reproduction and to the greatest preponderant happiness";<sup>3</sup> or in other words, to "reconcile equality with security", and "just distribution with continued production".<sup>4</sup> With this objective in mind, he sets out to discover the 'natural laws of distribution'.

Men, he argues, are all sentient beings, susceptible to both the experience of pleasure, and of pain. As self-interested creatures they are always inclined to act in order to increase their command over pleasure. The only rational motive for exertion, beyond the appropriation of the necessities of life, is, therefore, the maximisation of happiness. Wealth,

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(1) Thompson, William, An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness, (London, 1824), p.1.

(2) Ibid., p.15. Cf. Bentham, Theory of Legislation, e.g.p.2.

(3) Inquiry, p.582.

(4) Ibid., p.xiv.

through its use or consumption, provides a source of such happiness and ought, therefore, to be distributed in a manner productive of the maximum benefit to the producers of it.

Since all men, "being similarly constituted in their physical organisation", are capable of experiencing equal enjoyment from equal portions of wealth,<sup>1</sup> if similarly treated from birth,<sup>2</sup> then wealth ought to be allocated as evenly as 'security' allows for. This distributive principle not only accords with nature's fiat, but also with the utilitarian concept of diminishing marginal utility, as adumbrated by Bentham.<sup>3</sup>

It is a fact always recurring, and what we call a law of nature, that the nerve excited beyond a certain time, or a certain degree loses its power of enjoyment, til relieved by rest and abstinence. 4

Thus the additional benefit or utility a person derives from a given increase in wealth will, after some point, actually diminish with each successive increment. Therefore, to continually add to the wealth of the few is productive of less aggregate utility - in the long run - than could

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(1) Ibid., p.17, Cf., also p.21.

(2) Following Robert Owen, Thompson felt that man was capable of being influenced by his environment. His goals and desires are, therefore, socially determined. Thus the psychological dimension of utilitarianism, concerned with how people do in fact behave, must accommodate this issue of socially created desires, if it is to be rendered consistent with the ethical, prescriptive element of utilitarianism or how society ought to be regulated so as to maximise this happiness. Bentham appears to ignore this issue; whilst Thompson attempts to deal with it to some degree. See, Hunt, E.K., 'Utilitarianism and the labor theory of value: a critique of the ideas of William Thompson', HOPE, 11, 1979, pp.545-571.

(3) Bentham, Theory of Legislation, pp.102-109.

(4) Inquirv, p.144.

be achieved by a more even distribution of wealth. Indeed, Thomson actually felt that wealth over a certain maximum would result in disutility to its owners.<sup>1</sup>

Allied to these "psychological" aspects, was another factor which Thomson considered pertinent to the education of the natural, viz non-artificial, laws of distribution, and that is the fact that labour alone is productive of wealth. "Wealth is procured by labour; no other ingredient but labour makes any object of desire an object of wealth".<sup>2</sup> It is the expenditure of labour in appropriating an object which renders that object an object of wealth. Thus:

Droves of horses ... abounding in regions thinly peopled, are not objects of wealth any more than the air or light.<sup>3</sup> There are more of them than are wanting for use: no human exertion has produced them: whoever will employ the labour necessary to appropriate any of them, becomes their owner: and the mere labour of acquisition makes that an object of wealth which before was merely an object of possible desire.<sup>4</sup>

A right of property derives, therefore, from the expenditure of labour. Since wealth is a source of happiness, and since all human exertion is directed towards the pursuit of happiness, it follows that the labour necessary to procure that wealth ought to be exclusively rewarded with it.

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(1) Hunt, op.cit., p.550. Cf., Inquiry, p.91.

(2) Inquiry, p.3. I will look at the question of value a little later.

(3) Thomson here follows standard classical economic theory in viewing those spontaneous products of nature existing in (comparative) abundance as free goods.

(4) Inquiry, p.7 (original emphasis).

Thompson is concerned not only with the question of the attainment of that distribution of wealth most conducive to the greatest happiness of the greatest number - in a majoritarian sense<sup>1</sup> - but also with that most conducive to the greatest reproduction of wealth.

In terms of producing the greatest happiness an approximately equal distribution appears to be the most pertinent, given the constitution of man.<sup>2</sup> The question is, however, what can provide a sufficient stimulus for continued exertion?

Bentham, as we saw in Chapter 5, itemises four fundamental "principles of distribution" - abundance, subsistence, security and equality. Dispensing quickly with the first two principles, he focuses almost entirely upon the tension between security and equality, assigning pre-eminence to the former over the latter; Thompson adopts a similar position. The labour of the savage, who merely exerts himself to satisfy his basic needs as and when they arise, is necessarily sporadic, and produces little wealth. The civilized man, however, appears to have developed the habit of labouring; with him, production is more or less a continuous process, and yet optimum wealth is not being produced, for at present;

Force has been substituted for voluntary motive, and the dread of pain, compulsion, have been made to produce the stunted limitations of healthful voluntary exertion. In an economical point of view, this labour has been proved to be the most expensive, [i.e. because the least productive]. In a moral point of view it abstracts from the mass of human happiness. 3

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- (1) That the sense is majoritarian is evidence by Thompson's claim that in a conflict of interests the lesser interest should always yield to the greater (with due compensation), and that therefore, the happiness of the greater number - the needy - should always override that of the lesser interest - the wealthy few. Inquiry, pp. 24-28.
- (2) See pp of this section.
- (3) Inquiry, p.34.

Labouring, for the utilitarians generally, was regarded as an aversive, but necessary task. It provided the only means by which subsistence could be acquired. The only incentive for continual labour resided in the right of property. Thus Bentham notes that "it is that right which has vanquished the natural aversion of man to labour".<sup>1</sup> Again, James Mill, similarly proclaims that "the greatest possible happiness of society is, therefore, attained by insuring to every man the greatest possible quantity of the produce of his labour".<sup>2</sup>

Thompson adopts a similar stance, noting that in order to promote both happiness, and achieve the greatest preponderant reproduction of wealth and most egalitarian distribution of that wealth, "'security' in the ENTIRE USE of the products of labour to those who produce them"<sup>3</sup> is absolutely necessary.

The willingness to labour derives almost exclusively from the expectation of obtaining, hence enjoying, all the benefits consequent on property in the fruits of one's labour. The labour mode of entitlement is sanctioned because of the utility function promoted thereby. Security in the full fruits of one's labour will alone produce the greatest preponderant happiness, and the greatest consequent reproduction of wealth.

Security again seems to form the cornerstone of yet another utilitarian account of property rights, just as it had for James Mill and Jeremy Bentham.

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- (1) Bentham, Theory of Legislation, p.114. McCulloch repeats this argument - and phraseology - frequently. Cf. (e.g.), "Political Economy", ER6 p. 240.
- (2) Mill, Essay on Government, p.57.
- (3) Inquiry, p.35. (Original emphasis).

However, there is a difference between the account of property espoused by Thompson, and those developed by Mill and Bentham, and this concerns the role of equality, as we shall observe below.

From the assumptions that men are approximately equal, and that the enjoyment that each derives from an approximately equal share of wealth, is also approximately equal, Thompson deduces three natural laws of distribution:

First, All labour ought to be free and voluntary as to its direction and continuance.

Second, All the products of labour ought to be secured to the producers of them.

Third. All exchanges of these products ought to be free and voluntary.

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To these three laws, he adds a fourth contingency that, although equality is always limited by security, "wherever equality does not lesson production it should be the sole object pursued".<sup>2</sup> So, for example, regarding the spontaneous products of nature, an equal partition of goods is required by utility. In addition to this, Thompson observes that should any departure be made from the principle of security, "that departure should always be in favour of equality", and not in order to promote or increase inequality. Only a deviation from the principle of security that favours equality can be legitimately sanctioned insofar as that deviation does not produce either disutility or disincentive to labour. Where such deviation generates disutility or disincentive, then it is illegitimate, for:

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(1) Ibid., pp.5-6. (Original emphasis).

(2) Ibid., p.91. (Original emphasis).

... the security of acquired property, the produce of labour, is only a branch of the security of labour; and the security of labour is only a branch of general security, guarantying (sic) equal rights to all ... founded on their similar organisation, and the equal utility of these rights to all.

1

Thompson is led to make this concession to equality over security - with the contingency that such concession is still compatible with utility and the greatest reproduction of wealth - because he has to establish a just basis for the communal or collective ownership of wealth, since the basis of his utilitarian account of property rights derives from observations about the individual, his motives to labour, and the enjoyment he is capable of experiencing from the produce of his labour. In other words, Thompson has to make an essentially individualistic theory of entitlement into a justification for collective ownership, by revealing that the latter is not only more favoured by the utility principle but also more egalitarian.<sup>2</sup>

This concern with the compatibility of security and equality resurfaces in Thompson's treatment of the status of that property already acquired under the prevailing system of force and fraud prior to the operation of the natural laws of distribution. According to these laws, property may be legitimately acquired only by either labour expenditure directly, or

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(1) Ibid., p.149. (Original emphasis).

(2) See below, chapter 8, section 2(11), pp.505-525.

through the process of equitable exchange - any other means are illegitimate. However, the problem arises as to whether or not previously (illegitimately) acquired property is to be secured under the same conditions as property acquired under the natural laws of distribution. Thus, Thompson asks:

If acquisition, by means of free labour and voluntary exchanges ... (is) to be the sole useful, and therefore the sole just and moral, title to the possession of the articles of wealth, or property, what is to protect the actual possessors of wealth, particularly of the masses of hereditary land, in the enjoyment of their revenues? Would not such principles unhinge the rights of property? 1

Since such lands had normally been acquired by fraudulent means their original title is, of course, illegitimate: and property could never be acquired in such a way under the natural laws of distribution. Only labour or equivalent exchanges would generate a title to property then: and thus the "utility of the acquisition" - the fact that it is based on principles conducive to both optimum happiness and optimum production - would suffice to justify property so acquired.

This justificatory process is, however, more intricate when it comes to unnaturally individuated property. Then it is the "utility of the

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(1) Inquiry, pp.268-9. (Original emphasis).

actual distribution" that must be demonstrated. This requires that if the injuries and evils of insecurity deriving from the original, unjust acquisition can be shown to have ceased, and that if the present proprietors can demonstrate their preparedness to abide by the legitimate rules of acquisition henceforth, then the original acquisition will be allowed to stand. Security of property rights will prevail. However, the mechanism whereby such vast accumulations of wealth could be illegitimately amassed must be abolished. Thompson, like Bentham previously, favours the confirmation of the present proprietor in his possession wherever possible, since such a procedure will reinforce the principle of security by avoiding the disappointment of expectations consequent upon any expropriative act - whatever the underlying motives. Thus, like the utilitarians and the classical economists generally<sup>1</sup>, security of property becomes the mainstay of the efficient functioning of the socio-economic and legal system.

In his enunciation of the three natural laws of distribution adumbrated above, Thompson is not only premissing this enunciation upon concerns from utility and equality, but also upon quite an extensive conception of property, which he defines as:

... the free use and direction of your labour and all your faculties (not interfering with similar rights in others), and the right of voluntary exchanges for the products of that labour. 2

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(1) See above chapter 5.

(2) Inquiry, p.148.

When discussing the distribution of wealth it is obvious that he is using a more limited conception of property as the produce of labour. However, when talking of the disposition of property generally, he is concerned with both man's labour and faculties, and his goods. In section 3 of this chapter, we intend to explore this conception further, forming, as it does, the basis of Thompson's critique of the capitalist system, which is condemned not only for violating the principles regulating the just distribution of wealth, but also for rendering the labour of man distinctly unfree, and involuntary, in respect of "direction" and "continuance".<sup>1</sup>

Before moving on to consider the ways in which the accounts of legitimate property derivation discussed in this chapter were employed, together with other arguments, to refute the claims of land and capital, two final points of comparison between Thompson and Bentham should be made. Firstly, Thompson categorically rejects the Benthamite doctrine that property is the creature of law. Bentham had argued that "Property and law are born together, and die together. Before laws were made there was no property: take away laws, and property ceases".<sup>2</sup> Indeed, Bentham can envisage no circumstances in which legislation and the coercive machinery of protection would be unnecessary in securing property - law alone can guarantee its security. Law, for Thompson, however, merely sanctions a pre-existing right of property: "The mind of man is the parent of law, as his labour is of property".<sup>3</sup>

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(1) See Section 3, below, pp.

(2) Theory of Legislation, p.113

(3) Inquiry, p.269.

So it is labour that creates a title to property - not law. Thompson even goes on to argue that the need for legislation may be negated altogether under two sets of circumstances: the first, where private vigilance and strength is sufficient to protect possessions: and the second, where knowledge and private morals are so improved as to nullify the need for punitive measures designed to protect property.<sup>1</sup>

The second point of note relates to the first and concerns the comparative status of labour in the Benthamite and Thompsonian schemas.

Bentham declared that:

Law does not say to man, Labour, and I will reward you; but it says: Labour and I will assure to you the enjoyment of the fruits of your labour - that natural and sufficient recompense which without me you cannot preserve: I will insure it by arresting the hand which may seek to ravish it from you.

2

Although this suggests that labour was regarded as pre-eminent in creating property, Bentham was also prepared to sanction alternative modes of acquisition - first occupancy, prescription, and accession. There is, as Ryan notes, nothing "special" about the reification of the labour of one's body in external objects.<sup>3</sup> For Thompson labour clearly was "special". Other modes of founding a title to an object are neglected altogether. Labour expenditure comprises the only natural and legitimate appropriate medium.

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(1) Inquiry, pp. 278-315.

(2) Bentham, Theory of Legislation, p.110. Cf. Mill, "Essay on Government", p.57.

(3) Ryan, Property and Political Theory, p.99.

Section 2: Refutations of the Claims of Land and Capital.

In the last section we focused on the normative bases of legitimate appropriation, observing that the anti-Ricardians, Hodgskin, Gray, Bray and Thompson, all enunciated labour theories of appropriation - albeit all grounded in different philosophical systems - and that all, in consequence, subscribed to the view that the labourer ought to be secured the entire fruits of his labour. In order to substantiate the claims of labour, and in order to demonstrate that the prevailing system of industrial capitalism which was depriving the labourer of the full fruits of his endeavour was actually functioning against natural law, equity or utility, the anti-Ricardians had to establish that the claims of the landlord and capitalist to a share in the product of labour, were, in fact, illegitimate. This involved them in two ventures: firstly, they had to show that payment for the use of land was contrary to the labour theory of individuation; and secondly, they had to refute the claims of the classical political economists that profit was a legitimate return for the provision of capital on account of the performance of that capital in the production process. As we shall discover below, the first venture led the anti-Ricardians to deny the justice of a right of ownership over the land and the second led Hodgskin and Bray, specifically, to deny the purported functions of capital. Once these two themes were established, the anti-Ricardians could then demonstrate the mechanism by which the landlord and the capitalist were able to intervene between the labourer and his product, thereby breaking the coincidence between labour expenditure and appropriation.

It will be the purpose of this section to elucidate the types of proprietary right in land consistent with the just principles of appropriation (section 2(i)); and secondly, to analyse Hodgskin's and Bray's refutation of the claims of capital (section 2(ii)), before moving on (in section 3) to consider the mechanism by which the labourer was being systematically defrauded. We begin with an appraisal of the problem of land.

(1) Land: The Just Bases of a Proprietary Right.

In this sub-section we are primarily interested in the question of the types of property holdings deemed permissible according to the right principles of appropriation, deferring until the subsequent section our analysis of the impact of the abrogation of those principles upon the labourer, and the mechanism by which such abrogation is achieved.

Hodgskin, as we demonstrated in the previous chapter, believed that land had been donated by God to the use of mankind (in common). According to the premise that man must, as a law of his being, labour in order to live, Hodgskin surmised that individuated use-rights in the land were permissible according to natural right, provided that (i) the extent of those individuated holdings was limited by labour-capacity, and usage; (ii) that qualitative differences in the fertility of the soil were compensated for in quantitative terms; and (iii) that the size of those land-holdings diminished as the level of skill and knowledge of the people increased.<sup>1</sup>

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(1) See above, chapter 6, section 2, pp.398-396 especially.

According to natural law, therefore, any title to land is based upon and limited by labour expenditure. Any individuation of the land that did not conform to the provisions laid out above was deemed illegitimate. As we observed in chapter 6, the pattern of landholding characteristic of modern Europe was founded upon the abrogation of natural law, since (i) the extent of landholding is no longer regulated by labour capacity, usage, or subsistence requirements; (ii) developments in the level of skill and knowledge of the community are no longer influential in determining the size of permissible landholdings; (iii) an exclusive and monopolistic right of ownership has been established over the land; and (iv) as a consequence of this monopolisation, access to the land on the part of the property-less can only be acquired upon payment of rent. In addition to this, and perhaps most significantly, the land is held by non-producers in direct contravention of natural law.

In Hodgskin's view, therefore, the only form of permissible landholding consistent with natural law and the natural right of property is a limited right of use to the land vested in the individual. Now, John Grav, whilst similarly claiming that the only legitimate property right in land is a right of use, vests this right in mankind at large. The earth, Grav declares, is:

... the habitation, the natural inheritance of all mankind: of ages present and to come; a habitation belonging to no man in particular, but to every man; and one in which all have an equal right to dwell. 1

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(1) Lecture on Hu. Prop., p.29 (original emphasis)

In other words, the earth belongs in common to mankind in its entirety. Exclusive appropriation of the land is not permissible. The only ways that property can be rightfully acquired are: "by making it"; "by purchasing it"; or "by donation from another, whose property it was".<sup>1</sup> Since the earth was not created by man, nor purchased by him, nor, indeed, donated to him by another, then, exclusive property in the land is illegitimate. However, the "right to the use and possession of land" requires that man has "property upon it";<sup>2</sup> that is, the right to use and possess the land is meaningful only if man can be shown to have a title to the produce of that land, since he cannot legitimately have a title to the land itself.

If a number of men inhabited a desert island, each would, on arrival, feel an equal right to partake of whatever fruits he found upon it, but no one would consider the ungathered fruit as his own. Only that which necessitated the effort of labour would constitute property, and the labourer "would feel and know, that he had more right to it than any of his fellows".<sup>3</sup> By the same rule, Gray alleges, no one would think of calling the uncultivated earth his property, "while the whole of it remained in a state of nature".<sup>4</sup> The rule in question, and the proposition concerning the state of nature, relate to the application of labour, since it is that which differentiates the individual from the common. Since Gray has already declared that land

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(1) Lecture on Hu. Prop., p.29.

(2) Ibid., p.29.

(3) Ibid., p.29.

(4) Ibid., p.30.

cannot become private property, he must be making a point about the expenditure of labour, the yield of a crop, and the title to that crop - and not the generation of a proprietary title to the land - for he continues:

Let [a man] ... cultivate that land; let him clear it and plough it; let him sow it with seed; and let that seed produce a crop; and who would say of that crop "it is not his", ... It would be known that it was by his labour that it was produced.

1

On the assumption, therefore, that the earth is the common heritage of all mankind, and that property can only be acquired (originally at least) by labour expenditure as a kind of creative process, Gray argues that the only permissible right of property in the land is a right of use. Once labouring ceases upon the land, so too does the individual's use-right,<sup>1</sup> although the previous possessor is entitled to compensation for improvements executed on the land, or, in other words, for the labour invested in the cultivation and improvement of that land.<sup>2</sup> Gray does not, however, explain how such compensation will be financed - whether by government, or the new possessor.

Claims to ownership of the land based upon a "collection of parchments" prove nothing, he declares. Private property in the land can arise only by illegitimate means, with rental payments, a necessary consequence of such illegitimate appropriation, as we shall see below.

Just as Gray had regarded the earth as the common property of all mankind, so too did John Francis Bray, asserting, as the third of those

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(1) Lecture on Hu. Happ., p.30 (original emphasis)

(2) Cf., ibid., p.31. Gray notes that such compensation is determined by "the value of that quantity of manure, and of the quality of labour which would be required to convert the land from the quality it was to the quality it now is".

laws (or first principles, "promulgated in the great book of Nature",  
that:

As the nature and wants of all men are  
alike ... the great field of all exertion,  
and the raw material of all wealth - the  
earth - is the common property of all its  
inhabitants.

1

Since man's first duty is to self-preservation, and since the  
expenditure of labour is necessary to that preservation, but since the  
earth is the common property of all mankind (both present and future  
generations) the only type of property right in the land consistent with  
these considerations is a right of use. Every man has, as it were, "the  
right of appropriating to himself the various necessities of life which he  
can, by his labour, compel the earth to yield";<sup>2</sup> however, no man has a  
right to establish individual dominion therein.

If any individual appropriate to himself the field  
on which all labour is exercised - if he attempt to  
set up a claim to any part of the earth - he clearly  
does that which is unjust, and contrary to the common  
equality of rights, for he interferes with the equal  
right of every human being to appropriate that same  
particular spot.

3

Two or more claims to exclusive possession of any plot of land cannot  
co-exist, and since all natural rights have this facility of co-existence,  
the private ownership of land, whether established by first occupancy or

(1) Labour's Wrongs, p.28.

(2) Ibid., pp.32-33.

(3) Ibid., p.33. (Original emphasis).

prescription, must of necessity be in violation of such rights.<sup>1</sup> All that man has is an exclusive right of property in the fruits of his labour. This denial of the legitimacy of private property in land has a generational dimension. Not only do generations co-exist, but;

As the lives of all are held by the same tenure,  
and are dependent upon the same contingencies,  
the absolute rights of all to life and sustenance  
must necessarily be equal.

2

Then the only way that those rights can be exercised, throughout time, is if the earth remains common to all. Hence, it is the absolute equality of man with man, which proscribes an individual right of property in land.<sup>3</sup> Any individuation of the land is, therefore, contrary to the first principles adumbrated by Nature for man's existence.

Where Hodgskin was prepared to countenance a limited, individual use-right in the land; and where Gray and Bray conceive of the land as common

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- (1) Bray applies a similar logic to the question of political authority, arguing that the obedience of one man to another is in contravention of natural law. Since all men are equal they are under no compulsion (other than force perhaps) to abide by rules drafted by others. Consent can form the only legitimate basis for such obedience, ibid., pp.34-37.
- (2) Ibid., p.33.
- (3) Esther Lowenthal claims that Bray derives from the equal rights of man the necessity for equal wealth. If by equal wealth he understood the same quantum of wealth for all, then this interpretation is clearly misguided. Bray did not envisage that each would receive the same reward - rather, he argued that property would be apportioned according to labour expenditure. This could of course lead to disparities in wealth, since men vary in physical and bodily powers, in their sustenance requirements - as Bray observes (ibid., p.29). Where cooperative production is envisaged, reward - i.e. wages - would be equal, where the man hours worked were equal; nothing more. Cf., Lowenthal, Esther, The Picardian Socialists, (New York, Columbia, U.P., 1911. Reprinted by Augustus M. Kelley Publishers, Clifton New Jersey, 1972), p.88.

property, accessible to all, but appropriable by none, belonging to society at large.<sup>1</sup> Thompson has little to say about the source of legitimate rights of property in land. It is possible to surmise, however, that given his claim that the poverty of the labourer is principally due to the fact that he finds "everything around him appropriated",<sup>2</sup> and his suggestion that "even the very mountain bristling with rocks and repelling the tools and toils of cultivation is fenced round by the claims of ownership",<sup>3</sup> Thompson probably felt that the kind of property-holding in land most consistent with maximum utility and maximum reproduction of wealth was either an individuated use-right à la Hodgskin, or the communal ownership of land à la Owen, with labour expenditure regulating property in the produce of the land.<sup>4</sup> This interpretation of Thompson is lent greater credence by the fact that he regarded the prevailing system of ownership as essentially illegitimate. Like his compeers, Hodgskin, Gray and Bray, Thompson located the source of this illegitimacy in the acquisition of the land through conquest.<sup>5</sup>

Having demonstrated, in their various ways, that the only type of property right in land consistent with the natural laws of appropriation and distribution was a limited use-right - whether individual or collective - the anti-Ricardians were in a position to show

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- (1) The administration of land might of course be on a community basis - but the main point is the fact that individuals were denied private rights in that land.
  - (2) Inquiry, p.164.
  - (3) Ibid., pp.39-40.
  - (4) See below, chapter 8, section 2(ii), for an examination of these schemes.
  - (5) Cf., Thompson, Inquiry, pp.38-40; Hodgskin, Nat. & Artif., pp.61-75, passim; Lab.Def., pp.70-71; Gray, Lecture on Hu.Happ., p.29; Bray, Labour's Wrongs, pp.34, 54. See above chapter 6, section 2, pp.388-400.

that the extraction of rent based as it was upon the institution of private property in land was, in fact, in contravention of these laws. Before turning to the anti-Ricardian critique of rent, however, we must consider the way in which the claims of capital were rebutted. The primary text here will be Thomas Hodgskin's tract, Labour Defended against the Claims of Capital.

(ii) Capital: A Rejection of the Claims of the Classical Political Economists.

For the anti-Ricardians, labour alone was regarded as productive of wealth, and so their literature is permeated with such comments as , "wealth is created by labour":<sup>1</sup> "labour is the source of wealth";<sup>2</sup> and wealth "is any object of desire produced by labour".<sup>3</sup> All these pronouncements are underpinned by the Smithian claim that labour is "the original purchase-money that was paid for all things".<sup>4</sup> Land, for example, assisted in production only to the extent that its powers were either subdued, or called forth by the labour of man. Whilst technically productive,<sup>5</sup> the fact that the application of labour is required to guide that productivity means that rental claims based on the simple ownership of the land are, in fact, illegitimate.

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- (1) Hodgskin, Pop.Pol.Ec., p.19 (original emphasis)
- (2) Gray, The Social System: A treatise on the Principle of Exchange, (1831) p.18.
- (3) Thompson, Inquiry, p.6.
- (4) WN.I.v.2. This notion is undoubtedly the basis for Hodgskin's distinction between natural and social price. Cf., Thompson, The People's Science, p.92.
- (5) Cf., Stark, The Ideal Foundations of Economic Thought, pp.54 ff.

Now, according to the classical political economists, the notion of capital productivity underlay the claims of the capitalist to his profit. The classical economists regarded capital as indispensable to production in two ways; firstly, through the provision to the labourer of a stock of pre-accumulated wage goods, designed to sustain him through the time-consuming process of production - in other words, "the LABOURER is enabled, he being assured of his present subsistence, to direct his power to the greatest advantage"; <sup>1</sup> and secondly, by directly increasing the productive power of labour through the medium of machinery and other items of fixed capital.<sup>2</sup>

In addition to the claims about the role of capital, Ricardo et al had also argued that profit and wages were inversely related. As the share of one increased, that of the other necessarily fell. Hodgskin perceived in this proportional relationship, combined with the tendency for the labourer only ever to be remunerated with subsistence wages - the wages of slavery - the mechanism by which the labourer was kept in indigence. Thus it is "profits, or the capitalist's share of the national produce, which is opposed to wages, or the share of the labourer".<sup>3</sup>

Rent as the differential of the produce of superior over inferior lands is viewed merely as a transfer of profit, seemingly unrelated to the problem of labour remuneration. As Hodgskin argues at the beginning of Labour Defended, the production of his surplus does not "break the back" of the labourer, nor its allocation "break the heart of the labourer".<sup>4</sup>

(1) Hodgskin, Lab.Def., p.36. (original emphasis)

(2) See chapter 4, section 2(11).

(3) Hodgskin, Lab.Def., pp.27-8.

(4) Ibid., pp.30-31.

It was Hodgskin's aim in Labour Defended, therefore, to refute the claims of the classical economists for capital and to demonstrate that, in fact, the title to profit rested upon a violation of the natural law of appropriation.<sup>1</sup>

Capital, he declared, is only the "produce of labour", "is commodities", "is the food the labourer eats, and the machines he uses":<sup>2</sup> or, as Bray observes, "no more than the unconsumed products of former labour".<sup>3</sup> What, therefore, are "the wonderful properties" of capital, for the use of which "the labourer pays so exorbitantly"?<sup>4</sup> In order to undermine the claims of Ricardo et al., Hodgskin begins with a rebuttal of the wage fund theorem which underlay the former's theory of market wages.

Fundamental to this theorem was the idea that the production process determining the accumulation of wage-goods - viz., that of agriculture - was of one year's duration. Given this annual period between harvests it was surmised that sufficient goods must be set aside to maintain labour until the following harvest.<sup>5</sup>

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(1) John Francis Bray substantially reproduces this argument in Labour's Wrongs, pp.46-7; 59-61. On this topic Cf., Hollander, Samuel, "The Post-Ricardian Dissension", pp.380-382; Hunt, E.K., "Value Theory and the Writings of the Classical Economists", HOPE, 9, 1977, pp.327-345, and "The Relation of the Ricardian Socialists to Ricardo and Marx", Science and Society, 44, 1980, pp.177-198; King, J.F., "Utopian or Scientific", pp.354-355.

(2) Hodgskin, Lab.Def., p.31.

(3) Bray, Labour's Wrongs, p.46.

(4) Hodgskin, Lab.Def., p.32.

(5) Cf. Chapter 4, section 2(ii) above.

Hodgskin refutes the validity of the wage-fund hypothesis on a number of grounds. Firstly, the labourer's assurance of maintenance derives not from the existence of a pre-accumulated stock of goods, since on the whole the capitalist does not own such a stock, but from the operations of co-existing labour from "synchronized activity".<sup>1</sup> Secondly, all that the labourer receives is money to purchase the necessities of life and not wage-goods. Thirdly, the annual production period characteristic of agriculture is not in fact representative of the production processes of other industries; there, time-periods may overlap. And, finally, the specialization of individuals in specific occupations is made feasible, and operative by the conviction that their fellows are simultaneously engaged in production. "Every species of labourer does constantly, and at all times, depend for his supplies on the co-existing labour of some other labourers".<sup>2</sup>

The capitalist extracts a profit, therefore, not for providing the wage-goods necessary to support the labourer whilst he is working; rather "it is by the command the capitalist possesses over the labour of some men ... that HE is enabled to support and consequently employ other labourers".<sup>3</sup> This command derives as we will see from the capacity of the capitalist to intervene between the maker of capital and the employer of it. With regard to the purported attributes of fixed capital, both Hodgskin and Bray are willing to concede that fixed capital may enhance labour productivity.<sup>4</sup>

(1) The term is Hollander's. See art.cit., p.380. See Lab.Def., p.47 e.g.

(2) Lab.Def., p.45.

(3) Ibid., p.52. (original emphasis).

(4) Ibid., p.52. Cf. pp.52-3, and Bray, Labour's Wrongs, pp.46-7.

but are reluctant to accept this as an explanation of the origin of profit.

Fixed capital, according to Hodgskin, has no worth, except insofar as labour is applied to it. It is simply the produce of labour.

"Do they, or do they not" he asks of items of fixed capital, "constitute an efficient means of production, separate from labour? Are they or are they not, so much inert decaying and dead matter, of no utility whatever, possessing no productive power whatever, but as they are guided, directed and applied by skilful hands?"

1

The political economists argue, Hodgskin asserts, that fixed capital is the produce of previous labour, and is entitled to a profit, as compensation for having been saved or stored up. This he denies. Firstly, the productivity of fixed capital is entirely contingent upon its alignment with labour. Independent of that labour it can produce nothing, but would merely decay.

Secondly, fixed capital is not stored up after it is made. It is employed. Again the application of skilled labour is necessary, not only to render productive the fixed capital, but also to maintain it. The "constant repairs" required by a road, for instance, "are a continual making".<sup>2</sup> Thus its manufacture, is "quite as uninterrupted as the manufacture of food and clothing".<sup>3</sup>

The labour required to utilise, and make productive, fixed capital is always skilled labour.

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(1) Ibid., p. 53. Cf. Bray, op.cit., p. 45.

(2) Ibid., p. 59.

(3) Ibid., p. 54.

A steam-engine also is a most complete instrument, but alas! for the capitalist, it does not go of itself. A peculiar skill is required to make it and put it up, and peculiar skill and labour must afterwards direct and regulate its movement ... Its vast utility does not depend on stored-up iron and wood, but on that practical and living knowledge of the powers of nature which enable some men to construct it, and others to guide it. 1

All that is required before a nation can have fixed capital, surmises Hodgskin, is not a capitalist class with the power to accumulate, but three circumstances: (i) the knowledge and ingenuity necessary for inventing machines;<sup>2</sup> (ii) The manual skill and dexterity for executing those inventions;<sup>3</sup> (iii) the requisite skill and labour to utilise these implements once made.<sup>4</sup> Saving is irrelevant.

Bray, who follows Hodgskin closely in the rest of his argument, adopts a different viewpoint with regard to fixed capital. Fixed capital, he argues, is simply the "unconsumed products of former labour",<sup>5</sup> and as such is an inheritance of past generations left in trust to present and future generations.

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(1) Ibid., p.61.

(2) Ibid., pp.63-4.

(3) Ibid., p.64.

(4) Ibid., pp.64-5.

(5) Bray, op cit., p.46.

Every generation thus receives a greater or less amount of accumulated wealth from those which preceded it: therefore, in equity, every generation is bound to provide for its successors in at least the same ratio as itself was provided for; and as population is ever on the increase, so likewise ought accumulations to be always on the increase. 1

Were wealth to be distributed according to Nature's injunction, saving would not be the prerogative of the capitalist class, who by their present ownership of capital are able both to avoid labour, and to usurp the products of the labouring classes, through a system of unequal exchanges.<sup>2</sup>

Bray, it seems, identifies capital accumulation specifically with the capacity to save. Hodgskin concludes, from his discussion, that:

Fixed capital does not derive its utility from previous, but present labour; and does not bring its owner a profit because it has been stored-up, but because it is a means of obtaining a command over labour. 3

All the advantages previously ascribed by the classical economists to capital, be it fixed or circulating, actually emanate from the work of simultaneously present skilled labour.

As Hunt observes, capital represents, for the author of Labour Defended, "merely so many different aspects of the process of labouring, the relations among labourers, and the products of labour".<sup>4</sup>

(1) Ibid., p.47

(2) Ibid., p.47. Unequal exchanges is the topic of the next sub-section.

(3) Labour Defended, p.55.

(4) Hunt, "Value Theory", p.343.

The profit of capital is not, therefore, a legitimate return for the provision of a service necessary for production, but income deriving from exploitation - from the ownership of capital by a non-labouring class.<sup>1</sup>

On its own Hodgskin's demonstration of the non-reproductivity of capital reveals little about the way in which the capitalist actually manages to extract profit from the produce of labour. In order to demonstrate the illegitimacy of the claims of capital Hodgskin, and his fellow anti-Ricardians, developed embryonic theories of exploitation founded upon ideas concerning the ownership of the means of production, value regulation, and the question of unequal exchange. It will be the aim of the next section to examine those theories.

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(1) Labour Defended, p.70.

Section 3: The Bases of Exploitation: Monopoly Ownership of the Means of Production and Unequal Exchanges

In the last section we observed how the anti-Ricardians, individually or collectively, had attempted to undermine the foundations of the landlord and capitalist's respective claims to factorial income (as currently distributed), by demonstrating, firstly that the extent of permissible landholdings according to the just principles of appropriation is determined by rights of use, and that those rights are equal for all; and, secondly, by attributing to labour the benefits purportedly derived from the employment of capital in production.<sup>1</sup> Underlying both these conclusions, we contend, is a belief that currently rent and profit, as returns originating in the ownership of the factors land and capital, are based on a violation of the natural laws of appropriation.

Now, Noel Thompson, in his book The people's science, has argued that the "Ricardian Socialists" based their explanation of the exploitation of labour upon the concept of the abrogation of the natural law of value consequent upon the accumulation of capital and appropriation of land. Hitherto value had been calculated according to the relative quantities of labour expended in production; henceforth it was calculated by adding together wages, profit and rent; goods then "exchanged according to the labour they commanded rather than the labour they embodied".<sup>2</sup> As Thompson demonstrates, the paternity for such an argument - if legitimate - is Smithian rather than Ricardian.

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(1) This view is mostly limited to Hodgskin and Bray, though Thompson does, on occasion, make use of its argumentation. cf., Thompson, Inquiry pp.90-116; Labour Rewarded, p.114 (eg).

(2) Thompson, N.W., op.cit., p.89.

Persuasive though Thompson's argument is, his explanation of the theories of exploitation developed by the anti-Ricardians fails to take account of the labour theory of individuation which is, in our belief, central to an understanding of how these authors regarded the perpetration of exploitation. Indeed, it is our contention that, whilst the question of value is important to the issue of the extractive operations of the capitalist economy, it is in the abrogation of the natural laws of appropriation and distribution that the source of exploitation is located. The labourer ceases to receive his whole product to the degree that the originally prevailing laws of property are violated, and these are violated to the extent that capital and land are privately owned by non-labouring members of society,<sup>1</sup> who are enabled thereby to extract a portion of the produce of labour as payment for the utilisation of these factors. Indeed, it is also our contention that the anti-Ricardian concern with the just terms of exchange is also underwritten by a concern for the just bases of entitlement, such that an exchange is equal, not only when the quantity of labour embodied in commodities is equal, but also when the exchange is between those with a legitimate title to the goods exchanged.

It is still possible, and indeed just, to see the primary influence in the delineation of the above thesis as Smithian rather than Ricardian, since it is Smith who actually observes that deductions from the whole produce of labour begin at that point in time when land becomes private property, and capital accumulates.<sup>2</sup>

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(1) This qualification is necessary, because both Hodgskin and William Thompson held the view that the ownership of capital by the producers of it, entitled them to some kind of remuneration for its use by others.

(2) cf., WN.I. viii. 1-8 and above, chapter 1, section 2(iv).

It will be the aim of this section, therefore, to examine the question of exploitation - or the degree to which the labourer is denied the full fruits of his labour, considering, in the course of our discussion, the themes of value, monopoly ownership of the means of production, and unequal exchange (including the problem of the relationship between labour and the money supply).

Hodgskin's primary focus in the area of exploitation falls upon the question of the extent to which ownership of the means of production violated the natural rights theory of property outlined in the previous chapter. As we saw there, Hodgskin believed that current property in land was based upon usurpation and conquest, with rent emerging as a necessary payment for the utilisation of that land.<sup>1</sup> Similarly, capital, when owned by any non-productive member of society, was also deemed illegitimate, with profit again emerging as a payment for use dependent upon monopoly ownership.

The key to understanding Hodgskin is to realise that he believed that labouring ought to be a universal activity, and an activity alone which conferred a legitimate title to property. Thus, the expenditure of labour, combined with requirements from population size, and sufficiency, is still sufficient to generate an individuated use-right to the soil. Similarly, Hodgskin's individualism leads him to the view that capital could belong to a man or class other than the employers of that capital, and that this ownership would ipso facto entitle the proprietor to a share in the product of the co-joint operation of capital and labour provided that the owner of the capital was the producer of it.

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(1) See above, chapter 6, section 2, pp<sup>398-400</sup> for a more searching analysis of the origin of rent.

Thus:

He who makes the instruments is entitled, in the eye of justice, and in proportion to the labour he employs, to as great a reward as he who uses them; but he is not entitled to a greater ... 1.

That the arrangement is satisfactory to both is assumed by the long-continuance of the relationship between the men, or classes in question. For:

He who makes the capital finds this employment productive to him, or he would not continue it; and he who uses the capital finds that it assists his labour, or he would give nothing for it. 2.

The essential point, according to Hodgskin, is, however, that "he' who neither makes nor uses them has no first claim to any portion of the produce".<sup>3</sup> Mere ownership, if not grounded in labour expenditure, does not create a sufficient title to a share in the product.

This view of Hodgskin's is interesting for his conception of value. Although Hodgskin pays little attention to the issue of exchange generally, he does make a pregnant distinction between natural and social price, developed out of a consideration of the relative views on value and price of Smith and Ricardo.

Natural price represented "the whole quantity of labour nature required from man, that he may produce any commodity".<sup>4</sup> "Labour was the original, is now and ever will be the only purchase money in dealing with Nature",<sup>5</sup> and, as such, sufficient to acquire property.

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(1) Lab. Def., p.71.

(2) Pop. Pol. Ec., p.244.

(3) Lab. Def., p.7, cf., Pop. Pol. Ec., p.245.

(4) Pop. Pol. Ec. p.219.

(5) ibid., p.220.

Contrasted with natural price, however, is social price, or exchangeable value, namely "what another will give or is obliged to give for this commodity when produced, (which) may or may not be equal to the quantity of labour employed in its production".<sup>1</sup> This is, "natural price enhanced by social regulations".<sup>2</sup> These social regulations imply specifically for Hodgskin, the extractive phenomena of rent and profit. To acquire any commodity in the market, therefore, the labourer is required currently, through the unnatural - that is, non-labour based - manner in which land and most capital are held,<sup>3</sup> to pay an enhanced price.

All price is paid by labour. Now Rent is a part of the produce of labour, taken by a person who does not labour, and, of course, if the labourer wishes to obtain for his own use a quantity of produce equal to the quantity obtained which he shared with the lord, he must double, treble ... his labour ... to obtain it. Rent, therefore, enhances price, by the whole of the amount of rent. Profit, being in like manner a diminution<sup>4</sup> to the labourer of the value of his produce, enhances the price of everything into which it enters to the labourer.<sup>5</sup>

Here Hodgskin is employing the pattern of historical value determination adumbrated by Smith in the Wealth, arguing that Smith is right to claim that, once land is appropriated, and capital accumulated in the hands of the few, the price of any good to the labourer is calculated by adding together rent, profit and wages. The basis of this adding-up hypothesis is, of course, the notion that rent and profit

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- (1) Hodgskin to Place, 28 May 1820, B.M. Add. MSS. 35, 153, f. 142 ff, cited in Halévy, op. cit., p.75. Cf., Lab. Def. pp.75-76; Pop. Pol. Ec. pp.219-235.
  - (2) Pop. Pol. Ec. p.220.
  - (3) Both originate in the usurpation of land through conquest.
  - (4) In the sense, initially, of a deduction from the produce of labour.
  - (5) Hodgskin to Place, 28 May 1820, cited in Halévy, op.cit., p.73 (my emphasis).

were both deductions from the produce of labour (for goods acquired in production) since the labourer is compelled, through the artificial right of property, to pay for the use of the factors land and capital; and enhancements of the price of goods (acquired in the market), since what it would cost the labourer to acquire those goods from nature is less than it costs him in the market, after profit and rent have been added to the price of the commodity in question.<sup>1</sup>

According to Ricardo, however, labour cost always determines value. And so Ricardo fails to differentiate between natural price and exchangeable value. Both, he asserts, are regulated by the labour required to produce a commodity.<sup>2</sup> If this were so, Hodgskin asserts, then "the wages of labour would always be equal to the produce of labour",<sup>3</sup> and the natural law of property clearly operative. However, since the wages of labour are not equal to the produce of labour, because of the operation of an artificial right of property, Ricardo's account of value in exchange is at fault, for it fails to take account of the degree of deviation between natural price and social price, generated by the extractive nature of rent and profit.<sup>4</sup>

For John Gray, as we saw in section 2(i), the only way in which property may be legitimately acquired is through production, purchase, or donation.<sup>5</sup> Appropriation through production rests upon labour expenditure, whilst appropriation through purchase rests upon the

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(1) See above, chapter 2, section 2(iv).

(2) ibid., pp.74-75.

(3) ibid., p.75. Thompson op.cit., pp.92, 93-4; Hollander, art.cit., p.379. Ricardo is condemned as it were for failing to recognise the exploitative nature of rent and profit; and King, J. D. "Utopian or Scientific, A reconsideration of the Ricardian Socialists", HOPE, 15, 1983, p.349.

(4) Ricardo is criticised, as it were, for making rent extraneous to cost.

(5) See above pp.439-440.

exchange of equivalents and, since there is, à la Smith, a propensity peculiar to man to "exchange labour for labour", a propensity which forms the "basis of society" upon which "all other institutions amongst men are built",<sup>1</sup> it is just as important for utility that equitable principles of exchange be restored as the natural law of property acquisition be reinstated. Gray's concern with exchange is significant, as we shall see later in the chapter, to his conception of money.

Gray, constructing an elaborate classification of species of unproductive labour, notes, early in the Lecture on Human Happiness, that "every necessary, convenience and comfort of life is obtained by human labour. 1st by labour in cultivating the earth itself. 2nd by labour in preparing, making fit, and appropriating the produce of the earth to the uses of life."<sup>2</sup> Every member of society not engaged in one of these occupations is necessarily an unproductive member of society.<sup>3</sup>

Every unproductive member of society is a  
DIRECT TAX upon the productive classes.  
Every unproductive member of society is  
also a USELESS member of society, unless  
he gives an EQUIVALENT for that which he  
consumes. 4.

Property, according to Gray, can only be legitimately acquired by either the expenditure of labour, or the exchange of equivalents, and yet the landlord, who does not labour, can still command subsistence

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- (1) Lecture on Hu. Happ., p.3 (original emphasis).  
 (2) ibid., p.11.(All other species of labour are "useless".)  
 (3) Gray, utilising Colquhoun's statistical work on the Wealth and Resources of the British Empire, identifies 51 species of unproductive idler; ibid., pp.12-24.  
 (4) ibid., p.11.

goods - and more - because of the illegitimate ownership of land, whilst the capitalist, living off the interest of money, manages similarly to both evade the obligation to labour, and the obligation to render an equivalent for the labour he receives. Requiring interest for the use of money is an illegitimate source of wealth, for all just contracts are founded in the obligation to exchange "equal quantities of labour", and yet the custom of receiving interest for the use of money enables the lender to obtain double or treble what he lends, a clear breach of equivalence.

What does the productive labourer obtain for that portion of the produce of his industry, which is annually taken from him by incomes obtained by the lenders of money. He obtains NOTHING! Then we ask, is a man the natural proprietor of the produce of his own labour? If he is not, what foundation is there for property at all? 1.

According to the just principles of appropriation, labour ought to receive the full fruits (or the equivalent) of its labour. Under present circumstances, it is obvious, from the existence of rent and profit (or interest) as defined above, that this just principle is being violated. The question is how?

"The persons who furnish the subject of our present consideration", Gray writes, "are living upon property which is not naturally their own. They are living upon property, of which the productive classes are the true proprietors, and of which they have been deprived by the force of circumstances. The property they live upon is not theirs: they did not create it: they have given no equivalent for it. We defy them to show, by any principle of justice, that they have any right whatever to it." 2.

The "force of circumstances" alluded to by Gray is the system of competition which requires the capitalist to deceive his customers, by deliberately misrepresenting the quality and value of his produce;<sup>3</sup>

(1) Lecture on Human Happiness, p.32 (original emphasis).

(2) ibid., pp.43-44 (original emphasis). (3) ibid., pp.35-36.

compete with his fellow capitalist to find the most profitable outlet for investing his capital; and by depriving the labourer of the "greatest possible proportion of the produce of their labour".<sup>1</sup>

As we saw previously,<sup>2</sup> the labourer, under capitalism, is being denied his just deserts, through the intervention of capital and land between the labourer and his product. This intervention rests on the monopoly ownership of the means of production by the capitalist and landlord. However, just as the landlord and capitalist deprive labour of its just rewards, so they too suffer by the system of capitalism under which they operate.

Naturally, there exists two limits to production: the exhaustion of man's productive powers; and the satisfaction of his wants. In the present capitalist state of society, however, a third limit exists, competition. "The interests of men, in their mode of employing capital, and in the distribution of the produce of their labour, are at variance with each other", he declares.<sup>3</sup>

Demand, Gray asserts, is composed of the aggregate quantity of wealth which the labour, services, and property of the whole community can command, which aggregate is composed of the labour, services and property which the individual can command. Competition at present circumscribes the quantity obtained by each, to the least acceptable amount. The existence of a body of unemployed labourers seeking work ensures that the remuneration received by the labouring classes is reduced to the lowest level consistent with the subsistence and

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(1) ibid., p.50 (original emphasis).

(2) See above, sections 1 and 2(i).

(3) ibid., p.50.

reproduction.<sup>1</sup> That the labourer does not receive more, nor demand more, is explained by the existence of what might be seen as a precursor of Marx's "industrial reserve army". Similarly, the wealth of the tradesman is circumscribed by the amount of profit he is able to command; and competition amongst traders ensures that this is at its lowest possible limit.<sup>2</sup>

Thus competition limits the quantity of wealth obtained by individuals: the quantity obtained by individuals collectively composes the aggregate quantity obtained by the whole community: This aggregate quantity forms the demand, and demand limits production. 3.

Only when competition is eliminated, and production rationalized will capital be used most efficiently, and labour reap the full fruits of its efforts.

In his later works, Gray abandons to some extent his criticism of competition to concentrate on theorizing about the manner in which "the production of goods" could become "the unfailing cause of a demand for them". A defective system of exchange, founded on the present limitations on the money supply, is regarded as the source of the artificial restriction on demand.<sup>4</sup> The intention of Gray's thesis is to prove that aggregate over-production would never exist in a free society founded on the right monetary principles. He is, as it were, extending Say's thesis that aggregate demand and aggregate supply are co-extensive.

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(1) ibid., pp.52-53.

(2) ibid., pp.52-53.

(3) ibid., p.53 (Original emphasis).

(4) See Gray, John, The Social System: A Treatise on the Principle of Exchange(1831); An Efficient Remedy for the Distress of Nations (1842); The Currency Question. A rejected letter to the Times,(1847); Lectures on the Nature and Use of Money (1848), pp 69-102.

Reiterating, in An Efficient Remedy for the Distress of Nations, the labour theory of appropriation, Grav observes that "man cannot live like a bird, or beast, or fish, upon the direct results of his own industry: he is by his nature an exchanging animal".<sup>1</sup> Under current conditions, not only is man denied the full fruits of his labour through a violation of the labour theory of individuation on the part of the capitalist and landed classes, but he is also defrauded through the process of exchange - specifically, through the prevailing system of money.

The basis of a just and equitable exchange is equivalence. Labour not only creates wealth, endowing it with value, via the transformation of raw materials into consumable produce, it also comprises the determinant of value in exchange.<sup>2</sup> Thus:

the general principle which regulates the quantity of one thing which is commonly given in exchange for another thing, is the relative quantity of capital, skill and labour employed in its production. 3

so that the "utmost an operative can enjoy is the whole that, under the most favourable circumstances, he may be able to create".<sup>4</sup>

In an advanced economy however, man cannot exist simply by barter: the extent of specialisation and variety of goods produced lead him to introduce a circulating medium as a means of facilitating exchange.<sup>5</sup> Money becomes, therefore, the medium in which the value of commodities are estimated. Exchanges can only be equitable when money

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(1) Efficient Remedy, pp.95-6. Cf., Soc. Svst., p.20.

(2) Nat. and Use of Money, p.155.

(3) ibid., p.33.

(4) Efficient Remedy, p.99.

(5) Cf., Soc. Svst., pp.58-62. Money has the advantages of divisibility; durability and portability.

represents exactly the labour value of the commodities in question. As such money must itself not be subject to variation in its value. It can, as it were, "never by any possibility be itself valuable".<sup>1</sup> The quantity of money, in the market at any one time, must therefore represent the total labour value of all commodities produced.

Since Gray identifies the deficiency of effectual demand as the cause of mass poverty, and since money represents the power of purchasing, or effectual demand, he concludes easily that effectual demand is deficient because the money supply is not regulated by the volume of production. Money "of the existing character cannot by any possibility increase as fast as the apparent aggregate of other commodities is capable of being increased".<sup>2</sup>

As Bray similarly observes:

Money is to capital, or real wealth, what the alphabet is to written languages; but the money in existence will no more represent all that should be thus personified, than can the letters g o be made to spell good. 3.

Both men perceive a reformation of the system of exchange, and the nature of the prevailing currency, as basic to the restoration of the natural law of property and value.<sup>4</sup>

Provided that it was possible to ensure that "the quantity of money in circulation would at all times be equivalent to the nominal or money value of the property in store", fraudulent exchange and

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(1) Efficient Remedy, pp.95-6.

(2) ibid., p.2 (original emphasis).

(3) Bray, Labour's Wrongs, p.141 (original emphasis).

(4) See below, chapter 8, for details of both Gray's and Bray's schemes for monetary reform.

exploitation of the working classes could be prevented.<sup>1</sup> In his early work, therefore, Gray is more concerned to locate the sources of exploitation in the capacity of the landlord and capitalist to deprive the worker of his just (labour) deserts through their illegitimate ownership of the means of production and subsequent capacity to derive income from the use of that property, whereas in his later works the emphasis shifts more to the problem of underconsumption as it relates to the deficient and defective money supply prevailing under industrial capitalism. In both instances, however, Gray's purpose is to "reconcile" labour with the full extent of its product.

William Thompson, like both Hodgskin and Gray, similarly conceives of exploitation as the deprivation of labour of the entire fruits of its endeavour, locating the source of this exploitation in the capacity of the landlord and capitalist to intervene between labour and its product and to demand a share in that product, thus breaking the coincidence between labouring and appropriation.

According to the natural laws of distribution formulated to accommodate equality and security, all labour ought to be free and voluntary; all the products of labour secured to the producers of them; and the exchange of those products founded on the principles of freedom and voluntariness, for such laws alone will guarantee both maximum happiness and maximum reproduction of wealth. Currently under the system of insecurity, however, each of these laws is being systematically violated. The basis of this violation resides in the monopoly ownership of the means of production. In civilised society, Thompson surmises, the labourer finds "everything around him appropriated".<sup>2</sup> Unlike the

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(1) Gray, Soc. Syst., p. 66.

(2) Inquiry, p. 164.

savage who has "only to put out his hand and gather" the materials of nature, "and transform them by labour into consumable or exchangeable wealth",<sup>1</sup> the civilised labourer finds that "all the materials to work upon are appropriated by previous labour, force or fraud". Indeed, "even the very mountain bristling with rocks and repelling the tools and the toils of cultivation is fenced round by the claims of ownership".<sup>2</sup> The labourer, with no means of production at his disposal, has only one choice, therefore; he can either starve, or accept whatever wage and working conditions the capitalist offers him.<sup>3</sup> His labour is, in consequence, neither free nor voluntary in regard to direction or continuance.

(A) s long as the laborer stands in society divested of every thing but the mere power of producing, as long as he possesses neither the tools nor machinery to work with, the land or materials to work upon, the house and clothes that shelter him, or even the food which he is consuming while in the act of producing; as long as any institutions or expedients exist, by the open or unseen operation of which he stands dependent ... on those who have accumulated those necessary means of production,  
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the idle few will be enriched at the expense of the mass of producers.

In order to render his labour productive therefore, the labourer must recompense the capitalist and landlord for the opportunity they afford him of access to the means of production. Thompson, from

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(1) ibid., pp.39-40.

(2) ibid., pp.39-40.

(3) Hunt, "Utilitarianism and the labor theory of value", p.552. Cf., Pankhurst, op.cit., pp.48-53.

(4) Inquiry, p.590.

his utilitarian position of an emphasis on security, is compelled to accept the prevailing pattern of property distribution as a given, although a given based on unjust principles,<sup>1</sup> and thus is unable to suggest the forcible redistribution of property (in the means of production) concentrating instead on the elucidation of those principles guiding exchange most conformable with utility. "Doubtless the laborer must pay for the use of these (i.e. land and capital), when so unfortunate as not himself to possess them";<sup>2</sup> the question is how much should be pay?

The landlord, Thompson argues, rather than sell his land for an equivalent in labour, determines to rent that land "getting in return every year so much labour, measured by its products, so much of the increase of the soil as may be deemed as equivalent",<sup>3</sup> whilst the capitalist also requires compensation for the use of his capital:

A universal and always vigilant conspiracy of capitalists, of necessity the most intelligent, exists everywhere, because founded on a universally existing interest, to cause the laborers to toil for the lowest possible, and to wrest as much as possible of the products of their labour to swell the accumulations and expenditure of capitalists. 4

In considering how much of the product of labour ought to be subtracted for the use of capital, Thompson notes that "two measures of the value of this use" exist according as the problem is viewed from

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- (1) Cf., section 1(ii) above where Thompson considers the problem of the "utility of the actual distribution", and the "utility of the acquisition".
- (2) ibid., p.167.
- (3) ibid., pp.39-40.
- (4) ibid., pp.170-171. Cf., Smith, WN.I.viii. 11-13.

the perspective of worker or employer respectively.<sup>1</sup> These two "measures" of value also offer alternative explanations of the origin of profit and surplus value.

Given the assumption that labour alone is productive of value, the labourer would argue that, "the materials, the buildings, the machinery ... can add nothing to their own value. The additional value proceeds from labour alone".<sup>2</sup> Capital is merely "the creature of labour and materials", not their creator,<sup>3</sup> and, as such, "the dead material is nothing" without the application of labour.<sup>4</sup> And since this is so, all the additional value, accruing from the combined efforts of labour and capital, ought to devolve on the labourer, except for the subtraction of sufficient to cover the depreciation costs of the capital used, and sufficient to pay wages to the owner of that capital, to enable him to live "in equal comfort with the more actively employed labourers".<sup>5</sup> Profit is viewed, therefore, as the "surplus product of a man's labour",<sup>6</sup> whose source is "the value added to the unwrought material by the labour guided by the skill expended upon it".<sup>7</sup>

From the perspective of the capitalist, however, the demand is that he should appropriate all the "additional value produced by the same quantity of labour in consequence of the use of machinery or other capital".<sup>8</sup> The additional value accruing to the combined efforts

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(1) ibid., p.167. Cf., Gray, Alexander, The Socialist Tradition: Moses to Lenin, (London, Longmans, 1947 ed.) p.274.

(2) Inquiry, p.166.

(3) Labour Rewarded, p.114.

(4) Inquiry, p.90, cf. Hodgskin, Labour Defended.

(5) ibid., p.167.

(6) ibid., p.52.

(7) ibid., p.166, cf. King, "Utopian and Scientific", p.350.

(8) ibid., pp.167-8.

of labour and capital is being imputed to the productive power of capital. A simple test will isolate the source of this surplus value, claims the capitalist. "Before the invention of machinery ... what was the amount of produce which the unaided powers of the labourer produced? Whatever that was, let him still enjoy".<sup>1</sup> The whole of the 'surplus value' ought to - and in fact does - devolve upon the capitalist, "for his superior intelligence and skill in accumulating and advancing to the labourer his capital or the use of it".<sup>2</sup>

And so it is that "the productive labourers stripped of all capital, of tools, houses, and materials to make their labour productive, toil from want, from the necessity of existence, their remuneration being kept at the lowest compatible with the existence of industrious habits ...<sup>3</sup>

Although Thompson proffers these two explanations of the origin of profit, it is clear - even given the ambiguities in his presentation of value<sup>4</sup> - that Thompson conceives labour to be, both the only source of wealth, and the measure of value.<sup>5</sup>

Originally the land was valueless; only labour had made it valuable. The first settler cleared the timber, erected a shed and affixed the value of his labour to that part of the soil on which it had been expended ... A second settler, paying for the labour under the name of the land, added to its value by expending more labour upon it, clearing a larger space ... (etc) ... Thus is a piece of land, which was a few years ago an

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(1) ibid., pp.168-9.

(2) ibid., pp.167.

(3) ibid., p.170-171.

(4) Thompson regarded value as the labour embodied in a good, the labour they saved, and as the utility of the commodity (Inquiry, pp.7-17). Whilst this seeming lack of consistency in Thompson's theory of value has led a number of authors to claim that he was confused, Thompson's differentiation between labour embodied and labour saved can, in fact, be quite simply viewed as a recasting of the Smithian distinction between the "real price of everything", and the real worth of a commodity once acquired, which does not undermine the claim that labour is the source or measure of value. The question of utility, however, remains somewhat unresolvable. (cf, Thompson, N.W. op.cit. pp.90-91; Hunt, "Utilitarianism and the Labor Theory of Value", pp.549-551, for criticisms of Thompson's concept of value).

(5) Cf., Inquiry, pp.3, 10 e.g.

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(1) ibid., p.167. Cf., Gray, Alexander, The Socialist Tradition: Moses to Lenin, (London, Longmans, 1947 ed.) p.274.

(2) Inquiry, p.166.

(3) Labour Rewarded, p.114.

(4) Inquiry, p.90, cf. Hodgskin, Labour Defended.

(5) ibid., p.167.

(6) ibid., p.52.

(7) ibid., p.166, cf. King, "Utopian and Scientific", p.350.

(8) ibid., pp.167-8.

of labour and capital is being imputed to the productive power of capital. A simple test will isolate the source of this surplus value, claims the capitalist. "Before the invention of machinery ... what was the amount of produce which the unaided powers of the labourer produced? Whatever that was, let him still enjoy".<sup>1</sup> The whole of the 'surplus value' ought to - and in fact does - devolve upon the capitalist, "for his superior intelligence and skill in accumulating and advancing to the labourer his capital or the use of it".<sup>2</sup>

And so it is that "the productive labourers stripped of all capital, of tools, houses, and materials to make their labour productive, toil from want, from the necessity of existence, their remuneration being kept at the lowest compatible<sup>3</sup> with the existence of industrious habits ...

Although Thompson proffers these two explanations of the origin of profit, it is clear - even given the ambiguities in his presentation of value<sup>4</sup> - that Thompson conceives labour to be, both the only source of wealth, and the measure of value.<sup>5</sup>

Originally the land was valueless; only labour had made it valuable. The first settler cleared the timber, erected a shed and affixed the value of his labour to that part of the soil on which it had been expended ... A second settler, paying for the labour under the name of the land, added to its value by expending more labour upon it, clearing a larger space ... (etc) ... Thus is a piece of land, which was a few years ago an

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(1) ibid., pp.168-9.

(2) ibid., pp.167.

(3) ibid., p.170-171.

(4) Thompson regarded value as the labour embodied in a good, the labour they saved, and as the utility of the commodity (Inquiry, pp.7-17). Whilst this seeming lack of consistency in Thompson's theory of value has led a number of authors to claim that he was confused, Thompson's differentiation between labour embodied and labour saved can, in fact, be quite simply viewed as a recasting of the Smithian distinction between the "real price of everything", and the real worth of a commodity once acquired, which does not undermine the claim that labour is the source or measure of value. The question of utility, however, remains somewhat unresolvable. (cf, Thompson, N.W. op.cit. pp.90-91; Hunt, "Utilitarianism and the Labor Theory of Value", pp.549-551, for criticisms of Thompson's concept of value).

(5) Cf., Inquiry, pp.3, 10 e.g.

object of wealth. What has nature done towards this conversion? Nothing. What has man, what has man's labour done? Everything. 1.

The problem is, of course, that although labour creates all value, and all wealth, and is according to the tenets of security entitled, naturally, to all that it produces, under the current system such "defalcations" as rent and profit are deducted from that product. In fact, on average, such "defalcations" appear to "subtract at least one-half of the products of labour from the use of the producer".<sup>2</sup>

Alongside restrictions on the free use and direction of labour, which effectively deny to the labourer the full fruits of his labour, through the deduction of rent and/or profit, the labourer is also subject to unjust exchanges.

The question of just exchanges gains prominence in Thompson's later work, Labour Rewarded. Then he declares that: "forcible seizure, fraudulent or voluntary exchanges, have always been, and still are, the only efficient means of acquiring large masses of wealth".<sup>3</sup> In fact,

By unjust exchanges ... supported by force or fraud, whether by direct operation of law, or by indirect operation of unwise social arrangements are the products of the labor of the industrious classes taken out of their hands. 4.

An unjust exchange, for Thompson, clearly signifies one in which the commodities swapped are not of equivalent worth:

As soon as any laborer effecting any exchange receives more than a just equivalent, more than will replace to him the original material (or the labor of its production) which he gave in exchange; that moment the laborer assumes, for so much, the character of capitalist: he lives for so much on the labor of others without real equivalent. 5

(1) ibid., pp.10-11

(2) Inquiry, p.126.

(3) Labour Rewarded, p.11

(4) ibid., p.12.

(5) ibid., p.16.

It is this lack of equivalence, Thompson asserts, that explains the means of capital accumulation. The capacity of the capitalist to command more than he gives enables him to appropriate part of the produce of labour. Reconciliation of labour with its product requires, therefore, rationalisation of the means of exchange.

Thompson's treatment of the mechanism of exchange is far from comprehensive or systematic<sup>1</sup>, forming only one part of his explanation of the origins of exploitation. John Francis Bray, however, was more categorical in his assertion that all wealth had been taken from the working classes through "the fraudulent and slavery-creating systems of unequal exchanges",<sup>2</sup> based as this was upon the division of society into a class to labour and a class to control labour, a necessary consequence of "the institution of property as it at present exists".<sup>3</sup>

Bray's criticism of the present unnatural system focusses on dispelling a myth propagated by a "political economist",<sup>4</sup> that

Society ... both in its rudest form, and its most refined and complicated relations, is nothing but a system of exchanges. An exchange is a transaction in which both parties who make the exchange are benefitted, - and, consequently society is a state presenting an uninterrupted succession of advantages for all its members. 5.

The production of wealth is contingent on three circumstances - the existence of labour; an accumulation of capital; and exchanges.

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- (1) See chapter 8 for a further consideration of the question of exchange.  
 (2) Bray, Labour's Wrongs, p.57.  
 (3) ibid., p.17 (original emphasis).  
 (4) Namely, Charles Knight.  
 (5) Labour's Wrongs, pp.41-2.

Labour, as we have already seen, was not, at present, universal; whilst the accumulation of capital bequeathed by past generations of labourers to their progeny - the labouring classes - has been usurped "by particular individuals and classes."<sup>1</sup>

Exploitation, for Bray, is rooted in the violation of the labour-based principle of appropriation, and perpetuated by the phenomenon of unequal exchanges. An exchange, he declares, is purportedly "a transaction between two parties, in which each gives the other something which he has not so much desire for, as he has for the article which he receives in return".<sup>2</sup>

The labourer, for example, exchanges his labour for a sum of money, rather than remain idle or starve; whereas the capitalist prefers to give his money for labour, rather than live off it: "for he sells or exchanges the produce of such labour for a greater sum than the labour originally costs him and by these means he is enabled not only to live in idleness",<sup>3</sup> but also to accumulate wealth. Clearly, the exchange in question is not founded upon labour equivalence.

According to justice, exchanges should always be mutually beneficial - and since man has only two things to exchange, viz., his labour or the products of that labour, a just exchange will be an exchange of labour for labour. More than this, however, "equal values should always exchange for equal values".<sup>4</sup> Under the present system the capitalist

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(1) ibid., pp.46-7.

(2) ibid., p.47.

(3) ibid., p.47.

(4) ibid., p.48.

is able to buy the labour of a year for the value of half a year. The degree of difference between the value of his outlay, and the value of the product - "labour power" to cite Marx - signifies both the capitalist's profit, and the degree of exploitation of the worker. However, to label such an arrangement an "exchange" is, Bray argues, somewhat misleading as there is in fact no exchange at all, for the capitalist gives nothing: he gives no labour, for he does not work; and he yields no capital, for his stock of that is constantly accumulating. What he does do is "give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before!"<sup>1</sup> The whole transaction is, therefore "a palpable deception, a mere farce", in fact, nothing more than "bare-faced, though legalised, robbery".<sup>2</sup>

Although there are suggestions in the above passages of Karl Marx's concept of surplus value, reinforced by such phrases as "the working class perform their own labour, and support themselves, and likewise perform the labour of the capitalist, and maintain him into the bargain!"<sup>3</sup>, the principal difference between the two appears to be concerned with the manner in which that value was believed to be appropriated.

Marx locates the origin of surplus value in the "sphere of production". It is appropriated at source. The capitalist purchases labour power (potential labour) and sells the commodity in which labour (actualized labour power) was embodied during production. The origin of profit is the extent of the difference between the value of labour power

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(1) ibid., p.49.

(2) ibid., p.50.

(3) ibid. p.153. (original emphasis)

and the value created in the process of converting that labour power to actual labour embodied in a saleable commodity.<sup>1</sup> The rate of exploitation can be determined by the ratio of surplus value to variable capital.<sup>2</sup> Conflict is quite clearly at the heart of this process - wages and profit are inversely related.<sup>3</sup>

In contrast to this is the view that profit originates in alienation - that is, profit is the gain to be derived from buying cheap, and selling dear. Exploitation, in this theory, is located in the sphere of circulation, or exchange. Thus, surplus value - perhaps in its differentiated forms of profit and rent - is something added to labour cost in the market. This, Noel Thompson asserts, is the view advanced by the anti-Ricardians, who, he alleges, posit that the natural (labour embodied) law of value is abrogated, and replaced in contemporary circumstances by a cost of production hypothesis, à la Smith,<sup>4</sup> and who, in consequence, see the key to eliminating exploitation as lying in the rationalisation of exchange, rather than in any direct appropriation of the means of production.<sup>5</sup>

As already noticed, for Bray, the "exchange" incorporated in the wage contract was, in fact, not an exchange at all. Though the labourer is benefitted to the extent that he receives employment, he is not benefitted to the extent that he receives an equivalent - in terms of labour - for that employment. Rather, it seems that the

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(1) Hunt, "Value theory in the Classical economists", pp 330-331.

(2) Cohen, G. A. "The Labor Theory of Value and the Concept of Exploitation", Philosophy and Public Affairs, 8, 1979, pp.340-341.

(3) Hunt, art.cit., p.331.

(4) Thompson, The people's science, pp.82-110.

(5) ibid., p.110. Whilst accepting that the anti-Ricardians did not claim that exploitation originated in the sphere of production, to claim, as Thompson does, that they had no interest in the ownership of the means of production is, in our opinion, a mistake.

capitalist extracts more than he surrenders, and is enabled directly to avoid his own obligation to labour by so doing. Several remarks made by Bray suggest that this additional value is extracted directly at source - that is, in production - tending to support the hypothesis advanced by James P. Henderson, that he advances a theory of surplus value directly anticipatory of Marx.<sup>1</sup> The main problem with such a rendition is that Bray fails to differentiate between the realm of production and the realm of exchange; and sees the rationalisation of the system of exchange explicitly as sufficient to re-unite labour and capital, attain maximum production, and secure the fruits of labour to their rightful owners, suggesting that he is the advocate of a profit-upon-alienation concept of exploitation.

Fundamental to his assertion that inequality of exchange is responsible for depriving the labourer of his rightful fruits, is the idea that the gradation of classes - the existence of two separate and antagonistic powers, a class to labour and a class to control labour - based on the monopoly ownership of the means of production is fundamental to labour exploitation. Inequality of possession per se is quite natural. It is the existence of such inequality contingent upon unequal exchange and the opposition of labour and capital that Bray objects to. Capital is not "self-existent";<sup>2</sup> it depends for its creation upon labour and this labour alone is entitled to appropriate that capital. However, the fact that the capitalist alone has the means to employ labour, through his possession of capital, means that any additional capital generated in production is automatically appropriated by the capitalist, and the labourer is left solely with subsistence wages.

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(1) Henderson, James P. "An English Communist, Mr. Bray (and) his remarkable work", HOPE, 17, 1985, pp.73-95; esp. pp.80-87.

(2) Labour's Wrongs, p.50.

Under the present social system, the whole of the working class are dependent upon the capitalist or employer for the MEANS OF LABOUR, it is dependent, likewise, for the MEANS OF LIFE ... Inequality of possessions give man this dominion over his fellow-man, and therefore inequality of possession ... constitute the great evil: 1.

Part of the "great armoury from whence the capitalists derive all their weapons to ... conquer the working classes",<sup>2</sup> is the system of banking, or the creation and issue of money.

Hitherto, Bray has focused almost entirely on the premiss that equal labour ought to exchange for equal labour;<sup>3</sup> however, once money is introduced into the picture, it becomes more apparent how the exchange mechanism constitutes a means of depriving the labourer of the full fruits of his labour. Not only is labour denied its just deserts through the extraction of profit and rent, but also through the inherently inequitable monetary system.

Money, Bray asserts, is merely a "representative of real capital".<sup>4</sup> Intrinsically, paper money is of no worth, its value derives merely from conventional usage. However, at present it operates as "a chain of communication between the positive and the negative - between those who produce everything, and those who produce nothing".<sup>5</sup> The problem arises because the money supply is too deficient to represent all the capital in existence. For the supply of money to be a just and accurate supply, it must be calculated according to the existence of actually available produce. At present, however, much capital is not represented by money.

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(1) ibid., p.52.

(2) ibid., p.146.

(3) A point which leads him to reject inequality of remuneration for different occupations, once the rationalisation of exchange is executed, ibid., pp.44-46, 63.

(4) ibid., p.140 (original emphasis).

(5) ibid., p.153.

The comparatively small amount of money in existence, compared with produce, explains in part the inequality of man. Cost of production, the true determinant of value in exchange, does not at present determine price - "the value of things is regulated by the greater or less quantity of money there is in circulation".<sup>1</sup> At present, therefore, social evils such as unemployment depend upon the existing scarcity of money. "Thousands are now idle and poor because no person can set them to work ... because themselves and others are destitute of the requisite money".<sup>2</sup>

The power of the banker to issue money, and to lend that money (at interest) to the capitalist, means that both - through their indirect and direct command over labour respectively - are enabled to acquire vast fortunes without the necessity of labouring.<sup>3</sup> For:

The persons who borrow the notes - whether tradesmen or speculators - set other men to work by means of this money, or buy commodities with it at a low price and sell them at a high price; and thus, no matter whether it be by giving a low price for labour and selling its produce at a high price, or by purchasing commodities cheap and selling them dear, the tradesmen and speculators are not only enabled to give the banker £10 for the £100 borrowed from him, but they are also enabled to live in affluence with little or no labour of their own. 4.

In addition to this, the monopolisation of the banking sector by a particular class, relating as it does to the quantity of national capital available for production, ensures that working-class demands for reform can, on the whole, be ignored, since as long as the capitalists

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(1) ibid., p.142.

(2) ibid., p.145.

(3) ibid., p.149.

(4) ibid., p.149.

have this mighty engine of good or evil at their disposal - so long as the power of making and issuing money is usurped by particular classes, independent of other classes - the money class can bid defiance to political associations, and trades' unions, and all similar institutions having for their object the amelioration of the condition of the working class, and the effecting of their deliverance from the chains of capital.<sup>1</sup>

Bray's solution to the problems of exploitation required, as we shall see in the next chapter, a re-institution of the natural labour law of appropriation, founded upon common ownership of the means of production, and the reform of the monetary system.

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(1) ibid., p.146. Further consideration will be given to Bray's views on money in the next chapter. cf., Lowenthal, op.cit., pp.94-97; and Henderson, art.cit. pp.87-92 where he considers the relationship between Marx's views on money and capital as compared with Bray's.

### Conclusion

The anti-Ricardians, it is argued in this thesis, could be differentiated from their classical economic counterparts by their concern with the conditions legitimating the acquisition of property. The political economists, we observed in chapters 3 and 4, failed to consider the proprietary bases of income distribution, neglecting almost completely the question of how such factorial returns may be justified.<sup>1</sup> On the whole, the classical economists, with their implicit assumption of the sacrasanctity of private property, simply accepted as given the prevailing system of property allocation, and focused on the technical aspect of how the rates of remuneration to such factors were determined. The anti-Ricardians, however, in their championship of the claims of labour, had to demonstrate both the grounds of the claims of labour, and just exactly how those claims were being denied under the prevailing economic structure of industrial capitalism. As we demonstrated in this chapter this involved the anti-Ricardians in three pursuits: firstly, the presentation of the foundation of justifiable appropriation; secondly, the refutation of the claims of land and capital; and finally, the consideration of the bases of exploitation. Thus we observed in section 1 that both John Gray and John Francis Bray delineated (instrumental) theories of property grounded in the expenditure of labour, both developed from the stance of the equality of human rights; and that William Thompson, premissing his theory upon the utilitarian calculus of the maximisation of pleasure, and concerned with the twin ends of the production of the greatest happiness of the greatest number and the attainment of the greatest possible reproduction of wealth

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(1) There are some obvious exceptions. cf., James Mill, Essav on Govt. See above chapter 5, section 2.

consistent with utility, enunciates an egalitarian utilitarian theory of property, ascribing a central role to the expenditure of labour in that enunciation. Taken in conjunction with our analysis of Hodgskin's views on property in chapter 6, we established that the central theme of the anti-Ricardian literature on property was the assertion that the entire produce of industry ought to be secured (singly or collectively) to the producers of it.

In Section 2 we focused upon the question of how the anti-Ricardians dealt with the claims of land and capital. With regard to land we demonstrated that all the anti-Ricardians, with the exception of William Thompson, defined the extent of permissible holdings in land according to the requirements of use, denying, ipso facto, the private appropriation of vast tracts of land. Thus Hodgskin, for example, whilst accepting the individuation of land from the common, makes the process of individuation contingent upon population size, the level of technology and skill of a country at any point in time, and the condition of "sufficiency" derived from Locke, making the property right in land a use-right, rather than a right of dominion. William Thompson, per contra, from the perspective of utilitarianism is, however, compelled to acknowledge security of property in the prevailing system of landed property, whilst tempering his position by an argument from the "utility of the acquisition" for all acquisitions of land after the inauguration of the natural laws of distribution.

Refutation of the claims of capital was primarily the province of Thomas Hodgskin, though similar arguments were also adopted and developed by, inter alias, Bray and Thompson. Hodgskin's main aim, as we illustrated in section 2(ii) was to rebutt the claims of the classical economists that capital was requisite to production in two ways:

initially, in the form of a wage-fund,<sup>1</sup> furnishing the labourer with all the goods necessary to sustain him throughout the production process; and secondly, in the form of fixed capital, abridging and assisting labour. It was, as already noted, Hodgskin's contention that both of these putative benefits of capital could be assigned to labour: in both instances, to the operations of simultaneously existing labour - either in terms of synchronized production activity, ensuring a continual flow of wage-goods, or in terms of the labour necessary to render fixed capital productive.<sup>2</sup>

In the final section of this chapter, we were interested in how the anti-Ricardians dealt with the problem of exploitation, conceived solely in the sense of depriving labour of the full fruits of its endeavour. Central to their treatment of exploitation were two themes: the problem of the monopoly ownership of the means of production, and the question of inequality of exchange. It was our conclusion in this section that the anti-Ricardians, whilst concerned with the issue of valuation, at a quite rudimentary level, located the source of exploitation principally in the abrogation of the natural laws of appropriation and distribution, even regarding the foundation of the inegalitarian

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- (1) For a consideration of the classical economists' view of the wage-fund, see chapter 4 above, section 2(ii). cf., also chapter 2, section 3(i).
- (2) Partly in response to Hodgskin's work Labour Defended, Samuel Read published his: Inquiry into the Natural Grounds of Right to Vendible Property (London, 1829) where, in the course of his delineation of the title to property conveyed by ownership of the factors labour, land and capital, he observed that Hodgskin was mistaken in attributing to co-existing and skilled labour all the benefits of capital for two reasons: for without the co-operation of capital in production the synchronized activity purportedly characteristic of the process of producing wage-goods could not function (pp.125-7), and secondly, because, although labour "constitutes an efficient means of production without capital", capable of producing something without capital - whereas the reverse is not true, its greater efficiency depends upon the degree to which it relies upon capital in production (pp.127-132). cf., above, chapter 5, section 3.

mechanism of exchange as grounded in a violation of these laws. Following on from this, in the next chapter, it will be our endeavour to show how the entire produce of industry was to be secured to labour (either individually, or collectively), or how the just principles of appropriation were to become operative, considerations which required, the universalisation of labour, the common (or national) ownership of the means of production, and rationalisation of the process of exchange.

Chapter 8: Anti-Ricardian Schemes for the Reformation of Society, or  
How to Reconcile Labour with Its Product.

Abrogation of the natural laws of appropriation and distribution represented, for the anti-Ricardians, the source of the impoverished condition and exploitation of the labouring classes: only the reconciliation of labour with its product, on the basis of the just, labour-based principles of appropriation, and valuation, could restore the labourer to his rightful position, and undermine the extractive base of capitalism. The principal aim of this chapter is to examine the schemes devised by the anti-Ricardians to reconcile labour with its product, which schemes varied from the removal of all artificial restrictions upon the free operation of the natural laws of appropriation and distribution; the institution of communities founded upon the principles of co-operation; and plans for the reform of the currency system. Important in the intellectual heritage of the reformatory schemes developed by the anti-Ricardians was the communitarianism of Robert Owen, which comprised both directives for the establishment of "villages of unity and mutual co-operation", and an embryonic blueprint for the reform of the monetary system along the lines of a national banking system founded upon labour-value principles.

This chapter will be divided into three main sections. In section 1, we will examine Thomas Hodgskin's picture of society based upon the natural right of property, and natural laws of distribution. It is worth noting at the outset that there is a qualitative difference between the schemes devised by the other anti-Ricardians, and Hodgskin's conception of future society, for Hodgskin eschews any formulation of a blueprint for change regarding the power of the natural right of property

as sufficient to assert itself without human intervention. He fails to develop, therefore, a plan for the reconstruction of society à la Owen, et.al.

In section 2, our attention is directed to the question of communitarianism. In section 2(i), we will examine, in outline, the scheme developed by Robert Owen for the foundation of communities of co-operation; in section 2(ii), we will consider William Thompson's adoption, and adaptation, of that scheme, observing, in passing, the grounds of Thompson's rejection of Hodgskin's purported system (as allegedly developed in Labour Defended) of competition; whilst in section 2(iii) we will focus on John Francis Bray's scheme for the establishment of a joint-stock modification of the principles of co-operation, as a preliminary to the inauguration of the fully-fledged system of community.

In the final section of this chapter, we propose to review the option of monetary reform, as a means of rationalising exchange, and thus uniting labour with the full value of its product. In section 3(i) we will again examine the influence of Robert Owen, adumbrating briefly the scheme proposed by Owen for the reform of the monetary system, before elucidating in section 3(ii) the more comprehensive, and fully-developed, scheme of currency reform advanced by John Gray.

Section 1: Thomas Hodgskin and the Independent Artisan

As we demonstrated in chapter 6, Thomas Hodgskin advocated a juridical theory of property rights, founded upon the belief that the labourer has a natural, and individual, title to the entire fruits of his endeavour. However, Hodgskin believed that under the currently prevailing system of capitalism, the existence of a market in wage-labour, together with the monopoly ownership of the means of production, were systematically denying the labourer those fruits. An obvious question for us, then, in our examination of Hodgskin's conception of property, is to ask how the labourer could be reconciled with his product. Did Hodgskin develop, as did some of his fellow anti-Ricardians, communitarian schemes for that reconciliation? Or did he advocate a different system? Our main concern in this section is, therefore, to examine Hodgskin's conception of that future society in which the natural law of property would operate unfettered. It is our contention in this regard that Hodgskin's conception of future society must be constructed from the scattered remarks he makes about the inequities of the prevailing system, from his silences, and from his condemnation of alternative schemes for the unification of labour with its just desert. Following Mark Francis, then, we are of the opinion that, like Herbert Spencer, Hodgskin did not have "a theory of social action".<sup>1</sup>

At the beginning of chapter 6, we observed that Hodgskin made, in all his writings, an important distinction between "natural circumstances" and "social", (i.e., man-made) regulations, commenting that social regulations were alone responsible for all the "poverty, misery, and social convulsions" with which the life of man is cursed.<sup>2</sup> In his

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(1) Francis, Mark, "Herbert Spencer and the Myth of Laissez-Faire", JHI, 39 (1978), p.322.

(2) See above, chapter 6, section 1. cf Pop. Pol. Ec., p.38.

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(1) Francis, Mark, "Herbert Spencer and the Myth of Laissez-Faire", JHI, 39 (1978), p.322.

(2) See above, chapter 6, section 1. cf Pop. Pol. Ec., p.38.

conception of the environment within which his individualistic right of property could flourish, therefore, it is unsurprising that he should reject the Co-operative Socialism of the Owenites.

A complete community of goods, of food, clothing, dwellings, instruments, weapons, and utensils, or of all the produce of labour, never has existed, and never could exist, even in a family much less in a community ... The approximations to a community of goods among some religious, and some political societies, have always been the constrained and unhappy results of positive institutions, which have neither been of long duration, nor generally advantageous. 1.

His objection to the scheme was two-fold: initially, he rejected the artificiality of the arrangements, rendering both the making and enjoyment of property social not individual; and secondly, he castigated the scheme for its dependence upon a plethora of "rules, laws, and what is called order", for its efficient functioning.<sup>2</sup> The second of these points is quite straight-forward: it relates to Hodgskin's anti-Benthamite objection to anything requiring legislative or governmental intervention to support or promote it.<sup>3</sup> The first point is, however, of more interest.

Hodgskin espoused a natural rights of doctrine of property. Now this right for Hodgskin, was an innately individualist right. As he remarks in The Natural and Artificial Right of Property Contrasted,

I look on a right of property - on the right of individuals, to have and to own, for their own separate and selfish use and enjoyment, the whole produce of their industry ... as essential to the welfare ... of society. 4.

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- (1) Hodgskin, Nat. & Artif., p.41.  
 (2) Cited in Halevy, Thomas Hodgskin, p.38.  
 (3) cf., chapter 6, above, section 1.  
 (4) Nat. & Artif., p.24 (original emphasis).

In addition, when referring to communitarianism, Hodgskin also observes that the "use of such things" - the common property of the inhabitants - "like the making of them, must be individual, not common, selfish, not general".<sup>1</sup>

The author seems not only to envisage, then, that the right of property is a right of individual, selfish enjoyment, but that somehow the process of production - or appropriation - generating the object of that property right is somehow innately individualistic. Hodgskin seems to be implying, therefore, that under natural conditions, men would produce as independent artisans.<sup>2</sup>

One problem here is, of course, that division of labour prevents any individual creating an entire product on his own. In the production of cloth, for example, each contributing labourer:

produces only some part of a whole ...  
there is nothing on which the labourer  
can seize and say: "This is my product,  
this will I keep to myself".3

How the end product is divided, Hodgskin asserts, is calculated according to the "unfettered judgements of the labourers themselves", and by the "higgling of the market".<sup>4</sup> Hodgskin is distinctly ambiguous about this point, offering no explanation of the principles which might guide the labourers in their judgement - though it may, given Hodgskin's views on the concept of natural price, be possible to surmise that he would consider measurement of labour-input in man hours the best rule-

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(1) ibid., p.41.

(2) cf. Reeve, Property, pp.128, 130, 132.

(3) Lab. Def., p.85.

(4) ibid., pp-85, 86.

of thumb. All the way throughout the process which leads to the production of cloth (for instance), different occupational specialists transform an existing resource (yarn, for example) into an alternative, marketable resource (cloth). The product of each specialist artisan is, therefore, separable and identifiable. The quantity of labour invested in production is also calculable, and, therefore, assuming that Hodgskin believes in the operation of the natural principle of exchange, the resource, when transferred from one labourer to the next, is transferred according to labour worth.

As Andrew Reeve notes in his book, Property, the "pure independent artisan model" shows most clearly the links between labour and entitlement, for the assumption underlying this model is that both the initial product and all the resources necessary to transform that product are already the property of the labourer before he applies his labour.<sup>1</sup> In Hodgskin's case, therefore, the spinner, buying his materials from the merchant importer transforms raw material into yarn. He owns the raw materials prior to production, and is entitled, through this ownership and the expenditure of labour, to the yarn generated by that production. This he can, in a market economy (which is the economy envisaged by Hodgskin<sup>2</sup>) sell to a weaver. This weaver, purchasing the yarn, is entitled to utilise it as he sees fit. This he does by transforming it into cloth. Again labour input, together with ownership of the requisite productive resources, generates a title to the produce created thereby.

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(1) Reeve, op. cit., p.128. cf., Hodgskin, Lab. Def., pp.83-86. and Nat. & Artif., p.35n.

(2) Hodgskin favours an exchange market for goods, but not a labour market.

Strict conformity to the natural law of appropriation means that labour alone generates a title to property. Those who do not labour are not, therefore, entitled to a reward. This belief led Hodgskin to question, as we saw in chapters 6 and 7, the ownership of the means of production by those who do not labour. Such ownership, as we have previously demonstrated, was seen to be illegitimate. In Hodgskin's new world, then, capital would be owned by the artisan, and access to land ought to be guaranteed to all who want it.

Considering the role of capital first, it is important to note that Hodgskin contemplated three scenarios for the accumulation of capital, only the first two of which could prevail in his "natural" society. Firstly, capital could be made and used by the same person; secondly, it could be made and used by different classes of persons, dividing between them "in just proportion the produce of their combined labour", and finally, it could be owned by a class of persons neither making or using it.<sup>1</sup>

Clearly, the first arrangement is that usually assumed by the artisanal model attributed to Hodgskin in this dissertation, although the second arrangement is also compatible with that model, whilst the third - the arrangements prevailing under competitive capitalism - is not. Obviously, the unrestricted operation of the natural right of property requires that this third set of arrangements be abolished - or dispensed with in some way. Hodgskin, however, fails to adumbrate just how this transformation of capitalist circumstances may take place, though, as we shall see shortly, he does believe in its inevitability.

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(1) Pop. Pol. Ec., p.243. cf., pp.243-6.

As we observed in chapter 6 (Section 2), Hodgskin believed that only a limited and individuated (use)-right in the land was compatible with the natural right of property. Now an interesting comparison can be made between Hodgskin and Herbert Spencer with regard to the question of land, however. Both Spencer and Hodgskin followed natural rights accounts of property formation. Both men denied the legitimacy of private property in land,<sup>1</sup> but both reacted differently to the issue. Hodgskin, although recognising that the monopolisation of land denied free access to all those who did not own land, offered no solution to the problem, preferred from his non-interventionist stance, to proclaim that the matter would resolve itself aright. Spencer, on the other hand, develops a scheme of agrarian communism, or land nationalisation<sup>2</sup> to combat the inequities of the private ownership of land. Observing that the exclusive rights of property in land of the few, effectively denied access to that land, to the many (except upon receipt of permission by the landowning classes), Spencer claims that only the resumption of the ownership of that land by "the great corporate body - Society", is compatible with the principles of Equity.

Instead of leasing his acres from an isolated proprietor, the farmer would lease them from the nation. Instead of paying his rent to the agent of Sir John or his Grace, he would pay it to an agent ... of the community ... A state of things so ordered would be in perfect harmony with moral law. Under it all men would be equally landlords; all men would be alike free to become tenants.<sup>3</sup>

Compensating equitably the current proprietors, society could appropriate all the land of the country, restoring to mankind at large "their rights to the soil".<sup>4</sup>

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(1) cf., Nat. & Artif., pp.61-75 and Spencer, Social Statics, pp.114-115.

(2) cf., Halévy, op.cit., pp.142-3. (3) Social Statics., p.123.

(4) ibid., p.123. cf., pp.124-5.

Hodgskin, in his review of Spencer's Social Statics, for the Economist in 1851, is quick to condemn Spencer's scheme. The argument he employs to attack that scheme comes directly from his juridical conception of property rights:

his (Spencer's) plan of giving the land to the public, and making those who cultivate it pay for its use, would be in fact to take away from the cultivators a part of the produce of their labour ... It would be a violation of property, and a terrible check to industry ... What is usually called the produce of land is the produce of labour applied to the land; and to take away the produce of individual labour ... or any part of it, and give it to the public, is a violation of the right of property in labour and in its products. 1.

Whilst apparently prepared only to adopt a laissez-faire stance with regard to societal improvement, Hodgskin is quick to condemn schemes for the restructuring of society based on positive, and deliberate human, and particularly governmental, intervention.

Having considered briefly what form Hodgskin's future society might take - namely, a society of independent artisans - it is time to examine the conditions which Hodgskin felt would be most conducive to its inauguration.

Hodgskin rejected, as we noted earlier, the co-operative socialism of the Owenites. In the Natural and Artificial Right he discounts the effect of political and legislative reform as ineffectual and futile,<sup>2</sup>

(1) Hodgskin, The Economist, 8 Feb. 1851, pp.149-151, cited in Halévy, op. cit., p.143. It is important to note that Hodgskin does to some degree modify his radical stance after the publication of the Natural and Artificial Right. Though still advocating a laissez-faire, anti-Ricardian view of political economy, on the whole, his Economist writings show a tendency to be tolerant of the profit of capital; and to condemn worker combinations for example. However, since he had never been an advocate of government intervention, or a proponent of a socialist reformatory plan of society, many of the modifications he makes are far from consequential. cf. Halévy, op. cit., pp.127ff; Stark, Ideal Foundations, pp.97-103 esp.

(2) Nat. & Artif., p.172. Hodgskin is criticising the Reform Bill Movement.

whilst in Labour Defended, Hodgskin's belief that government is principally a tool for economic domination, leads him, as G. D. H. Cole surmises, to be chary of the effectiveness of the working class demand for votes, or the benefits of political action,<sup>1</sup> or any scheme relying upon governmental or legislative co-operation and assent.

However, in Labour Defended, he does display some sympathy with the cause of trade-unionism, which leads G. D. H. Cole to note that Hodgskin was distancing himself from pure individualism by his "strong advocacy of Trade Unionism".<sup>2</sup> This represents, in our opinion, however, an overstatement of the strength of support for combinations displayed by Hodgskin in this tract. His principal hope for the gradual reinstatement of the worker's right to the whole produce of his labour, resides, in fact, in his belief in the over-riding efficacy of education, significantly at this stage, the dissemination of knowledge via the Mechanics' Institutions, the London branch of which he had helped to establish.<sup>3</sup>

As the labourers acquire knowledge, the foundations of the social edifice will be dug up from the deep beds into which they were laid in times past, they will be curiously handled, and closely examined, and they will not be restored unless they were originally laid in justice, and unless justice commands their preservation.

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- (1) cf Cole, G. D. H. "Introduction" to Lab. Def., (London, Hammersmith Reprints, 1922; 1964 repr.) p.14.
- (2) Cole, op. cit., p.14. Cf. also, Stark, op. cit., p.73n. See Driver C.H. "Thomas Hodgskin and the Individualists", in Hearnshaw, F.J.C. (ed.) The Social and Political Ideas of Some Representative Thinkers of the Age of Reaction and Reconstruction, 1815-1865. (New York, Barnes & Noble 1949) pp.197-8.
- (3) See Halévy, op. cit., pp.87-89. Hodgskin's co-founder was a Scotsman, called Robertson. Cf. also, Driver op. cit., p.198.
- (4) Lab. Def., p.102.

This belief in the power of opinion to change things, if founded on knowledge and the right principles, pervades all Hodgskin's writings. In a letter to Place in September 1820, prompted by the publication of James Mill's "Essay on Government,"<sup>1</sup> Hodgskin argued that:

If opinion is capable of constituting,<sup>2</sup> of restraining and of giving every government particular powers in proportion as opinion varies, I am at a loss to tell why opinion could not, in the first instance, protect property (the end for which Government is instituted) without the intervention of such an operose machine.

In other words, if public opinion is sufficient to constitute government, "why should not this same public opinion, without any constitutional mechanism, be sufficient to establish a stable society?"<sup>3</sup> Following Godwin, and anticipating Spencer, Hodgskin appears to adopt an anarchist stance, seeing Government, merely a tool of economic domination, as unnecessary to the smooth running of society. The dictates of natural law alone are ultimately sufficient.<sup>4</sup>

The foundation for Hodgskin's conception of the power of popular opinion as the sufficient base for the operation of natural law derives from one sense in which a right of property was regarded as a natural right, namely that it was a right which men implicitly recognise.

Considering the issue of man's rights, in a broader sense, Hodgskin notes that the greater part of them are not protected by law at all; in fact their security derives from "the mutual respect of man for man, or the moral feelings of individuals".<sup>5</sup> Provided such rights conform

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(1) Hodgskin to Place, 17 Sept. 1820, B. M. Add. MSS. 35, 153, f.169ff.

(2) Government derives its powers from public opinion, Hodgskin declares.

(3) Halévy, op. cit., p.56 (original emphasis).

(4) Francis, art. cit., pp.322-323.

(5) Nat. & Artif., p.136.

with the dictates of natural law, their protection ought to be automatically guaranteed and legal sanction would then be unnecessary. However, the establishment of a right contrary to custom, or popular opinion, can only operate if "made the rule of their (the people's) conduct by force of arms".<sup>1</sup> Law itself represents merely a "piece of parchment",<sup>2</sup> without sanction, operating by human sufferance only. Positive laws, thus,

depend on our will; they are suffered to remain by us; they are kept up and preserved by our moral sentiments, and cannot possibly have any greater power, or give any greater security than those sentiments from which their force is derived. 3.

Whilst man is ignorant, therefore, of natural law, he may suffer legislative practices which are contrary to his interests. Once he is aware of the dictates of natural law, of the operation of new rights of property founded in labour expenditure, his tolerance of inequitable laws will disappear, and positive law will - as demonstrated in chapter 6 - be forced to follow those changes in public opinion generated by changes in the material circumstances of society.<sup>4</sup>

Changes in the natural right of property in the best of all possible worlds, would be automatically accorded popular respect because the circumstances giving rise to the change in that right are also those giving rise to respect for the developments prompted by that change. Mutual forbearance, based on equality, would ensure, therefore, the mutual guarantee of the rights and enjoyments of all. A natural right would require, then, no legitimation or reinforcement in human law. Its enforcement would reside in popular willingness to obey natural law. So:

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(1) ibid., p.116.

(2) ibid., p.133.

(3) ibid., p.135.

(4) See above, chapter 6, section 3.

The persuasion that we shall enjoy what we produce, and the industrious habits consequent on that persuasion are not, in these cases, it is plain, the produce of the law - for that, let it never be forgotten, does not guarantee to each man what he produces - but of the mutual respect for claims and rights which naturally grows up among individuals, and extends, as they multiply, through all their complicated relations to one another. 1.

Once circumstances prevail in which the labour title to property is allowed to operate unimpeded, then human law would be superfluous, for inbuilt in the notion of property is a conception of mutual respect for the rights of others. That natural law is being violated, under current conditions, is reflected in the need for positive legislation, but since positive legislation is effective only to the degree that people are prepared to obey it, it follows that once that preparedness has gone - that is, once people are in a position to disobey - then the basis on which positive law is founded has been subverted, and the power of the legislator undermined.

Hodgskin's purpose in the development of this concept has been to show, therefore, that natural law will operate best in conditions of absence of government and positive law. He believed, unlike his compeers, that it was in conditions of non-intervention by government or mankind, that the natural right of property would assert itself. By implication, this suggests that the way of creating conditions most conducive to the assertion of this natural right is to desist with legislation, removing, as it were, the obstacles to the free operation of natural principles.

In many respects Hodgskin appears as a descendant of the laissez-faire tradition of the classical economists. Only the free-play of natural law, independent of social regulation and governmental interference, will be

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(1) ibid., p.144.

sufficient to allow the natural right of property to overcome the artificial right, systematically bolstered up by the prejudices of a sectarian and partial legislative and governmental class.

From Hodgskin's non-articulation of a constructive scheme for the reform of society and reconciliation of labour with its product, we move on to the articulation, by Owen, Thompson et al., of just such constructive schemes, in the form of plans for the reorganisation of society upon the basis of communitarianism and co-operation.

Section 2: Co-operation and the Communitarian Ethic

You look forward to a better state of society, where the principle of benevolence shall supersede that of fear; where restless and anxious individual competition shall give place to mutual co-operation and joint possession ... where perfect freedom of opinion and perfect equality will reign amongst the co-operators; and where the children of all will be equally educated and provided for by the whole... 1.

so writes William Thompson to Anna Wheeler, and in so-doing, encapsulates both the faith and the commitment of many of the early English Socialists in the communitarian ethic. The doctrine of communitarianism derived largely, in this country, from the works of Robert Owen.

Fundamental to this philosophy are a number of common themes: firstly, a belief in the spirit of co-operation and a reaction against individualism; secondly, a belief in the common ownership of property, and a reaction against individual ownership; and finally, a belief in communitarianism, as a method of social reform.<sup>2</sup>

In this section we are concerned with the last aspect of communitarianism, namely, the notion that it represented a species of social reform adequate to the transformation of society away from an atomistic, competitive system founded upon the violation of the first principles of appropriation, to a co-operative and communal system in which labour would be reconciled with its entire product. With

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- (1) William Thompson to Anna Wheeler, cited in Taylor, Barbara, Eve and the New Jerusalem: Socialism and Feminism in the Nineteenth Century (London, Virago Press Ltd., 1983) p ix.
- (2) Cf., Harrison, J.F.C., Robert Owen and the Owenites in Britain and America (London, Routledge and Kegan Paul, 1969) p 47; Garnett, R.G., Co-operation and the Owenite Socialist Communities in Britain 1825-45, (Manchester, Manchester UP., 1972) p 29.

this in mind, in section 2(i), we will examine, in outline, the scheme devised by Robert Owen for the establishment of communities of co-operation; whilst in sections 2(ii) and 2(iii), we will centre on the development of that scheme in the works of William Thompson, and John Francis Bray respectively.

(i) The Influence of Robert Owen (I): Communities of Co-operation.

Although Robert Owen, with his avid interest in the impoverished condition of the labouring classes, contributed quite voluminously to the anti-capitalist literature of the period,<sup>1</sup> it is not with his critique of the workings of industrial capitalism that we are concerned in this section, but rather with the scheme devised by Owen to combat the evils of competition, viz., the establishment of communities of co-operation.

The reasons for our concentration on this latter aspect are twofold. Firstly, Owen, whilst denouncing the private monopoly ownership of the means of production, bases his critique of capitalism not upon the abrogation of the natural labour-based right of property, as did the anti-Ricardians, but upon the misapplication of machinery;<sup>2</sup> and secondly, because it was in his formulation of the idea of communitarianism

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- (1) Cf e.g. Owen, Robert, "An Address to the Inhabitants of New Lanark", (1816); "An Address to the Working Classes", in the Star newspaper, April 15, 1819, and the Examiner, April 25, 1819; "Report to the County of Lanark of a Plan for Relieving Public Distress" (Glasgow, 1821); A Development of the Principles and Plans on which to establish self-supporting Home Colonies (London, 1841); What is Socialism? (London, Home Colonization Society, 1841); "The Signs of the Times: or the Approach of the Illerium" (London, 1841); The Book of the New Moral World containing the the Rational Systems/Society, (London, 1842-44); The Revolution in the Mind and Practice of the Human Race, (London, 1849); and The Life and Times of Robert Owen (written by himself), 2 vols, (London, 1857-1858).
- (2) Cf., Thompson, The People's Science, pp.73ff; Burkitt, Radical Political Economy, pp.11ff.

that many of the anti-Ricardians, particularly Bray and Thompson, saw the means to reconcile labour with its product, and so developed similar communitarian schemes of their own.

Owen, as we suggested above, saw the "immediate cause of the present distress" of the labouring classes, as the "depreciation of human labour" through its application in competition with machinery.<sup>1</sup> The spread of mechanisation throughout industry had, Owen declared, generated a "most unfavourable disproportion between the demand for and supply of manual labour".<sup>2</sup> As the mass of mankind rely for their subsistence upon the receipt of money wages, and as the rate of those wages is contingent upon the demand for and supply of labour, the introduction of mechanisation, when applied in competition with labour, as an alternative, more efficient and more economic means of production, leads to a fall in the rate of wages at best, and to unemployment at worse.<sup>3</sup>

Thus, as J. E. King argues, "the progressive displacement of human labour by machines, Owen believed, reduced not only the manufacturers' wage-bill but also the demand for his products".<sup>4</sup> It was, therefore, the primary cause of over-production. The employment of machinery in production generated a greater product, but was not paralleled by a comparative increase in the power of purchasing.

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- (1) Owen, Robert, "Report to the Committee for the Relief of the Manufacturing Poor", (18A), in The Life of Robert Owen., vol 1A, Appendix I, p.54.
  - (2) Owen, Robert "Two Memorials on behalf of the working classes", (1818) ibid., vol 1A, p220. Cited in Thompson N.W., op.cit., p.74.
  - (3) Cf., "Report to the County of Lanark", (1821); pp.246-8 especially; Self-Supporting Home Colonies.
  - (4) King, J. E. "Perish Commerce! Free Trade and Underconsumptionism in Early British Radical Economics", Australian Economic Papers, vol 20, 1981 (pp 235-57), p.241; cf., Thompson, The People's Science, pp.158ff.

Underconsumptionism is, identified as a necessary by-product of the irrational extension of mechanisation, and provides the underlying theme of Owen's critique of the prevailing system of competition.

Far from denouncing technological advance, however, Owen believed that, taken as an auxiliary power to assist labour, its benefits were potentially enormous. The problem arose because such technology was privately owned, representing a circumstance whereby one class gained power over another to gain profit,<sup>1</sup> and because the owners of that technology, nurtured in the environment of competition, were ignorant of the most rational, social and utilitarian mode of employing it.

Underlying this latter claim is the view that human nature is malleable; "its organisation and existence, are consequently a compound of natural faculties at birth, which may from that period be well or ill-directed by society".<sup>2</sup> Hitherto they have been ill-directed. Society founded upon the system of competition has made men self-interested rivals, anti-social in their actions, and individualistic in their pursuits. Nothing less than an alteration in their environment, founded upon the basis of a rational system of education, disseminating the tenets of the "science of Human Nature", will serve to undermine this competitive instinct, and replace it with characteristics conducive to happiness.

The attack levelled at the system of competition, and the solution proposed to replace that system, has two dimensions: one

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(1) Burkitt, op.cit., p.11.

(2) Owen, The Revolution of Mind and Practice of the Human Race, p.59 (original emphasis).

moral, one economic.<sup>1</sup> The moral dimension, as already suggested, relies upon the inauguration of a rational plan of education<sup>2</sup>, the reconstruction of knowledge, and the inculcation of the spirit of co-operation and union;<sup>3</sup> the economic dimension is founded upon the establishment of a co-operative system of production and distribution, and the restoration of the labour standard of exchange value.

Owen's scheme centred upon the institution of a network of small, self-governing, multiple producer co-operatives with their economic basis in agriculture. Each community would comprise approximately 2000 to 2500 people,<sup>4</sup> living as a kind of universal family in specially designed buildings.<sup>5</sup> Child care and education, for example, were to become the collective responsibility of the community - with the establishment of collective nurseries, community schooling and so on;<sup>6</sup> women were to be unshackled from family responsibility, and enabled to participate, as equals, in the laborious processes operating within the community;<sup>7</sup> and everyone would be united in labour.

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- (1) cf., Yeo, Eileen, "Robert Owen and Radical Culture", in Pollard, Sidney and Salt, John (eds.), Robert Owen: Prophet of the Poor (London, MacMillan Press Ltd., 1971), p.85.
- (2) cf., William Thompson: Much of the Inquiry is directed to the question of the ends of education in respect of character formation, pp.272-362.
- (3) cf., A New View of Society; or Essays on the Principle of the Formation of the Human Character, Essay I, (1813), p.18.
- (4) The figure varies: occasionally it is between 1000 and 1500, at other times, 2000 to 2500 people.
- (5) Owen was particularly concerned that the physical environment within which such communities were to be established, was suitable. cf., Self-Supporting Home Colonies, pp.37-40.
- (6) cf., Taylor, Eve and the New Jerusalem, pp.51ff.
- (7) Here Owen explains in great detail the tasks to be performed by each member of the community, according to age.

More importantly for our purposes, however, such communities were to be self-supporting. Community of property in the means of production, and the rationalisation of production would ensure that "communities would create their own perfect markets in sharp contrast to the imperfectly competitive conditions prevailing outside."<sup>1</sup> The quantity, and type of commodities produced within each community would be consciously regulated according to the needs and wants of the entire community. Production would be geared to the provision of that wealth which is "consistent with the health and happiness of the producers", and would be distributed the "most beneficially and justly for all".<sup>2</sup> Wealth would, as it were, be distributed "beneficially" when promotive of the greatest utility, and "justly" when shared amongst the producers of it without any abstraction, for, as we shall demonstrate in section 3(i), integral to this view is the idea that labour represents the natural standard of value in exchange.

With machinery employed as a giant auxiliary to labour, the amount of wealth generated would be in excess of the consumption requirements of the inhabitants of these communities, thus leading to an amelioration in the condition of the labouring classes. In such circumstances, both the ends of utility, and the maximum reproduction of wealth will be served.

The most fundamental attribute of such communities is, therefore, that all the necessary land and capital form a communal asset both belonging to and employed by the inhabitants of the community. In

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(1) Garnett, R. G., "Robert Owen and Community Experiments", in Pollard and Salt (eds.), Robert Owen, p.42.

(2) Owen, Book of the Moral World, Book III, p.35.

this way a co-operative community could be contrasted with a joint stock company:

composed of unselected persons, residing in dispersed and isolated dwellings, employing other people to do their work ... and meeting only occasionally to divide the profits ... The essential externals of community are closely connected residences and constant, intimate, and familiar association ... (in which) the work of moral and intellectual training must be systematic and unremitting, and of a higher character than that which can at present be anywhere pointed out. 1.

Thus, not only would Owen's communities transform the mode of production and distribution typical of contemporary society, but also the pattern of social relationships found within those communities.<sup>2</sup>

The problem is, though, how were such communities, based on common ownership of the means of production, to be established when clearly the labouring classes, ipso facto, did not possess the wherewithal to purchase or even rent those factors,

Owen's solution to this problem relied fundamentally upon two proposals: firstly, to attract sufficient investment from philanthropic capitalists; and secondly, to petition government to support the foundation of his scheme.

Initially, in outlining his plans for these "Villages of Unity and Mutual Co-operation", Owen advertised his scheme as a profit-making venture. All capital invested would, he declared, "return five per cent interest".<sup>3</sup> This would not only benefit the capitalist, therefore but also the country, for:

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(1) Article by a Birmingham Socialist, in the journal The New Moral World, (Manchester), 12 May 1838, cited in Taylor, op.cit., p.242.

(2) cf., Taylor, op.cit., p.242.

(3) Owen, Robert, "A Further Development of the Plan ... For the Relief of the Manufacturing and Labouring Poor", contained in a letter to the London Newspapers, July 30, 1817, cited in The Life and Times of Robert Owen, vol. 1A, p.73.

these establishments offer means for the investment of capital on security that ought to be considered of the highest value to the country. 1.

The inhabitants of the community, through the increase in production consequent upon co-operative labour, would be enabled to repay the interest of the capital expended in buying the establishment, out of the surplus generated by their labour.<sup>2</sup> As Garnett notes, the very promise that an investor would receive adequate dividends in the interim period until communal assets were acquired by the tenants on an "amortisation basis out of expected surplus", was designed to attract maximum support.<sup>3</sup>

In Self-Supporting Home Colonies, Owen makes this point a little more clearly himself. Here he declares that the establishment of joint-stock companies (of capitalists) is a necessary preliminary to the inauguration of the communitarian system. These companies, it was argued, would purchase the land, and erect upon it all the requisite buildings, before leasing the whole to a company of tenants. This latter group would, it is claimed, "gradually ... fine down the rents, and ultimately ... become the owners, at a stipulated price, to be agreed on between parties."<sup>4</sup> Again Owen assumes that the revenue to repay the joint-stock capitalists would derive from the surplus-to-needs wealth generated through united labour.

In addition to his attempts to attract capital investment, Owen also persistently petitions government to sponsor the institution of his parallelogram scheme. Thus, in The Revolution in the Mind and Practice of the Human Race, he exhorts the British Government to

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(1) ibid., p.73.

(2) ibid., p.70. cf also, Garnett, op.cit., pp 43ff; Yeo art.cit., pp 84ff; Thompson, N.W. op.cit., pp.78-9; Burkitt, op.cit., pp.12-13; Taylor, op.cit., pp.238ff.

(3) Garnett, op.cit., p.43. (4) Self-Supporting Home Colonies, p.37.

recognise that it has now:

the most ample means and power, by adopting the most simple and plain common sense measures, thus, to change all that is now wrong in society, and gradually and peaceably to supersede it by all that is right and most beneficial for every one. 1.

Similarly, in Book 7 of The Book of the New Moral World, he declares that the "Rational System" can only be inaugurated when government is convinced of the principles upon which it is based, for:

without this base, on which to raise the superstructure, there can be no solid foundation; but once convince the governors ... of the truth of the principles, and the incalculable benefits to be derived from their universal adoption in practice (will become apparent),<sup>2</sup> ... and they will not hesitate to adopt the right course.<sup>3</sup>

In other words, presumably by Act of Parliament, Government could, Owen believed, once informed of the benefits of his scheme, establish, through the provision of land and capital, a number of villages of unity and mutual co-operation.<sup>4</sup>

In addition to the reconstruction of society along the lines of communities of co-operation, Owen also developed a plan for the rationalisation of the system of exchange, based upon monetary reform. Consideration of this aspect of his thought will, however, be deferred until Section 3(i). Now, we propose to proceed to a consideration of communitarianism at the hands of William Thompson.

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(1) op.cit., p. xvii (original emphasis).

(2) Owen, The Book of the New Moral World, Book VII, p.46.

(3) ibid., p. 30.

(4) cf., "An Address Delivered at the City of London Tavern on Thursday, August 21st, and published in the London Newspapers of August 22nd, 1817", cited in The Life and Times of Robert Owen, vol. 1A, pp.108ff.

(11) William Thompson: The System of Security Under the Scheme of Mutual Cooperation.

The present great object of human pursuit ought to be to find out those institutions and arrangements, which would make that magnificent prodigality of means, of mechanical and other physical improvements which we possess, tributary to those great social improvements, on which alone human happiness can securely repose. 1

G.J.Holyoake once described William Thompson as the "first systematic writer" on the topic of communities of cooperation,<sup>2</sup> whilst for R.K.P. Pankhurst, Thompson was "Britain's Pioneer Socialist, Feminist, and Cooperator".<sup>3</sup> That Thompson's contribution to the literature of the cooperative socialist movement was great is undeniable;<sup>4</sup> that he was an unremitting advocate of the communitarian scheme for societal reconstruction is, however, only a partial truth. For as Thompson himself observes in Labour Rewarded, he initially regarded the system of cooperation developed by Owen as little more than an "improved system of pauper management", dependent for its inauguration upon the "patronage of the non-representative law-makers of nations ... The Leagued Oppressors of their Fellow-creatures".<sup>5</sup>

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- (1) Thompson, William, Labour Rewarded. The Claims of Labour and Capital Conciliated, (London, Hunt & Clarke, 1827), p.36.
- (2) Holyoake, G.J., A History of Cooperation, (London, George Allen & Unwin, 1906), no page reference. Cited in Pankhurst, R.K.P., William Thompson Britain's Pioneer Socialist, Feminist and Cooperator, (London, Watts & Co., 1954), p.129.
- (3) The phrase derives from the title of Pankhurst's book.
- (4) Cf., Thompson, William, An Inquiry into the Principles of the Distribution of Wealth, (1824); Labour Rewarded, (1827); Practical Directions for the Speedy and Economical Establishment of Communities on the Principles of Cooperation, United Possessions and Equality of the Means of Enjoyments, (London, 1830); Practical Education for the South of Ireland (n.p.) (1819). Unfortunately, in the course of research for this dissertation, I have been unable to gain access to either of the last two tracts
- (5) Thompson, op cit., p.92.

And, indeed for most of his first work - the Inquiry - the system he favours as an alternative to the existing system of insecurity, is a system of individual competition founded upon the principles of security.

It is worth noting at this point, that Thompson defines three alternative systems of production and distribution: the system of insecurity founded upon force and fraud; the system of individual competition founded upon the principles of security; and the system of "labour by voluntary mutual cooperation".<sup>1</sup> The purpose of this classification is to provide Thompson with models of socio-economic arrangements which he can then evaluate in terms of the principles of utility, in order to ascertain that system most conducive to the attainment of both maximum happiness and the maximum reproduction of wealth.<sup>2</sup>

In this section, therefore, we shall concentrate upon Thompson's treatment of the two schemes he outlines which satisfy the criteria of utility and security, or the "securing to labour of the whole products of its exertions"<sup>3</sup> - that is, the system of individual competition and the system of mutual cooperation. Our principal concerns are three in number: First, to examine the system of individual cooperation developed principally in the Inquiry; second, to examine the grounds for Thompson's ensuing critique of that system; and third, to elucidate his scheme for the establishment of the system of voluntary mutual cooperation formulated primarily in Labour Defended. Here we shall also observe the role of trade-unions in preparing the labouring classes for the subsequent foundation of communities of cooperation, as well as examining Thompson's

(1) Ibid., p.99.

(2) Ibid., p.99.

views on previous "palliative" schemes devised to advance the claims of labour.<sup>1</sup>

We shall begin, then, with Thompson's system of security and individual competition. The structure of the Inquiry was set, as we demonstrated in chapter 7, by Thompson's undertaking to illuminate the conditions under which both maximum happiness and maximum wealth could be produced. This led Thompson to two important conclusions. Firstly, that "all sane individuals are capable of equal enjoyment from equal portions of the objects of wealth."<sup>2</sup> And, secondly, that:

The strongest stimulus to production (and that which is necessarily to the greatest production) that the nature of things will permit, is "security" in the ENTIRE USE of the products of labour, to those who produce them.<sup>3</sup>

Under a system which prescribes that the labour should be allocated the full fruits of its endeavour, there exists a potential tension between the claim from security - particularly influential in terms of the continued production of wealth - and the claim from equality. As J.F.C. Harrison has observed: if perfect equality is to prevail, some labourers must receive more, and some less than the full produce of their labour, since

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- (1) These include parliamentary reform, emigration, repeal of the Corn Laws, and population checks.
  - (2) Thompson, Inquiry, p.21. (Original emphasis).
  - (3) Ibid., p.35.

productivity between individuals is likely to vary. This arrangement would clearly breach the principle of security. However, if perfect security is to prevail, then the full enjoyment by each individual of the unequal product of his labours denies equality of wealth.<sup>1</sup> The problem then is, "how to reconcile equality with security; how to reconcile just distribution with continued production".<sup>2</sup>

Like Bentham, Thompson recognises the pre-eminence of security over equality. However, unlike Bentham, Thompson denies that security is being fostered in current conditions. Bentham, as we observed in chapter 5, section 1, had assumed that the existing system actually furnished adequate security for property, and had argued that the goal of equality could be promoted simply through a series of (prospective) piecemeal legal reforms.<sup>3</sup> Thompson had, however, deduced different conclusions from his analysis of the prevailing socio-economic system. As we demonstrated in the previous chapter,<sup>4</sup> he regarded the system of emergent industrial capitalism as founded upon the systematized violation of the principle of security. Labour was, thus, denied the full fruits of its endeavour through the operation of a fraudulent exchange mechanism, and the monopoly ownership, by individuals who do not labour, of the means of production - land and capital. Thompson's solution to the inherent inequalitarianism and insecurity of the prevailing system is, unsurprisingly, much more radical

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(1) Harrison, Robert Owen and the Owenites, p.76.

(2) Thompson, Inquiry, p.xiv.

(3) See above, chapter 5, section 1. Cf., Hunt, "Utilitarianism and the Labor Theory of Value", pp.551-552.

(4) See below, chapter 7, sections 1(11), 2(1), and 3 particularly.

than Bentham's.<sup>1</sup> The first solution proposed by Thompson relates to the fundamentally individualistic system of competition based upon security. Since the system of insecurity effectively deprived the labourer of the full fruits of his endeavour, what was required was a means of reconciling labour with its product.

We observed in the previous chapter that Thompson's egalitarian - Utilitarian philosophy rested upon three tenets: that "all labour should be free and voluntary, as to its direction and continuance", that all the fruits of labour "ought to be secured to the producers of them", and that all exchanges ought to be "free and voluntary".<sup>2</sup> What Thompson proposed, therefore, was that all restrictions upon the free movement of labour, and upon the free operation of the allocation of resources, commodities, and incomes by the market, should be removed.<sup>3</sup> Thus, Thompson favoured the abolition of all those laws and institutions restricting or directing production - monopolies, guilds, corporations, apprenticeships and bounties, inter alia.<sup>4</sup> In other words, labour should be free to employ its productive capacity in whatever industry it preferred; and should be allowed to freely, and equitably, exchange the produce of its labour as it so desired.<sup>5</sup>

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(1) Hunt, art. cit., pp.551-552.

(2) Thompson, Inquiry, p.6. (Original emphasis). See above, chapter 7, section 1(ii).

(3) Hunt, art. cit., p.555.

(4) Cf., Thompson, Inquiry, pp.103-144.

(5) Exchanges would, presumably, be regulated according to labour cost.

Fundamental to this desire that labour should be free to guide itself, is the notion that "all productive labourers should become capitalists, that labour and capital should be in the same hands".<sup>1</sup> In other words, in order that all labour is both "free and voluntary as to its direction and continuance", it must either own, or have access to all the resources (capital included) requisite to production. Where access to capital that is currently monopolised by a non-producer is concerned, the labourer must - according to the dictates of security - reimburse that non-producer for such access, but at a fair, and not a monopoly price. This fair price is delimited by Thompson as that which would:

... replace the waste and value of the capital, by the time it would be consumed, with such added compensation to the owner and superintendent of it, as would support him in equal comfort with the more actively employed productive labourers.

2

All else would accrue to the labourer. In this way Thompson envisaged that ultimately all labourers would become independent labourer-capitalists.

The system here adumbrated by Thompson is founded upon the principles of laissez-faire: what E.K.Hunt has dubbed "market capitalism ... without the capitalists".<sup>3</sup> All individuals would be able to engage in whatever productive activity they desired, free of all those allurements and

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(1) Thompson, Inquiry, p.590.

(2) Ibid., p.167.

(3) Hunt, art.cit.,p.555.

prohibitions which had previously directed industry under the system of force and fraud.

Initially it appears that Thompson envisages the market as effecting a harmonisation of competing interests, such that all producers would benefit by this freedom from interventionist practices.<sup>1</sup> However, Thompson almost immediately casts doubt upon the beneficent effects of this competitive, and fundamentally individualistic market system. The system is, he declares, flawed. Whilst undoubtedly superior to the existing system of insecurity founded upon force and fraud, the system of individual competition based upon security contains a number of features which effectively debar it from being that system most conducive to the achievement of maximum happiness, and to the reproduction of the greatest possible quantity of wealth. These disabling features are five in number: First, it retains the principle of selfishness so characteristic of the system of insecurity, for each person<sup>2</sup> in society is engaged in the pursuit of their own happiness through the exclusive enjoyment of individual wealth. Every individual sees a competitor or rival in every other individual engaged in the same trade. Similarly rivalry also exists between the public and every profession. This latter point can be exemplified by the relationship between the medical profession and the public. It is, Thompson proclaims, "in the interests of all medical men that diseases

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(1) Thompson appears to be simply reformulating the Smithian doctrine of the invisible hand which underlay most classical political economy during this period.

(2) By which Thompson means "man". See the second point of his critique of the individualist system of security which follows.

should exist and prevail, or else their trade would be decreased".<sup>1</sup> As such, physicians tend to neglect preventive medicine. It is, however, clearly in the interests of the public that preventive medicine should be promoted. The self-interestedness which guides men in their choice of their profession represents simultaneously a source of rivalry.

Second, the system of individual competition effectively paralyses the productive power of women.<sup>2</sup> The individual (nuclear) familial arrangements required by the individualistic competitive pursuit of wealth confines women to domestic drudgery.<sup>3</sup> An obvious remedy to this situation can be found, Thompson asserts, in cooperation. If a number of adjoining families formed a "common fund for preparing their food and educating their children", then women could be relieved, in part at least, of their drudgery, and would be enabled, thereby, to assert their equality, and to embark on useful pursuits.<sup>4</sup> The problem is, of course, that whilst individuals are motivated by selfish ends in all other areas of their life, the sentiments requisite to such a cooperative enterprise could not be presumed to prevail. However, were it possible to establish a communal arrangement of this kind, then, Thompson somewhat contradictorily

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(1) Thompson, Inquiry, p.371.

(2) Ibid., pp.371-3.

(3) Thompson's interest in the question of "feminism" is further evidenced by the publication of the tract, Appeal of One-Half the Human Race..., written in conjunction with Anna Wheeler. See above, chapter 5, section 2, where it was observed that Thompson composed this pamphlet in response to James Mill's dismissal of political representation for (apparent) women in the 'Essay on Government', Cf., Taylor, Eve and the New Jerusalem, pp.23-24, passim.

(4) Inquiry, pp.371-2.

asserts, a spirit of "mutual benevolence" would be engendered which could form the basis for a future system of "mutual cooperation and equality of enjoyment of the products of united labour".<sup>1</sup>

The third "evil" of the system of individual competition based on security was that it led to unprofitable species of employment, "from the limited field of judgement open to individual minds".<sup>2</sup> Individuals could, from error of judgement, mistakenly engage in occupations yielding no profit.

"What individual", Thompson asks, "can judge whether the market, frequently at a great distance, sometimes in another hemisphere of the globe, is overstocked, or likely to be so, with the article which inclination may lead him to fabricate?"

3

Although free to direct his labour, at will, into any productive channel, the individual is not necessarily ensured of success. Indeed, as Hunt reflects, the system of laissez-faire here favoured by Thompson could result in "the anarchy of the market" - the misallocation of resources and periodic crises or depressions.<sup>4</sup>

The fourth disadvantage of this system of individual competition was that it furnished no adequate scheme of provision for the old, the sick, or "for the numerous accidents incident to human life".<sup>5</sup> Additionally, the

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(1) Ibid., pp.371-2.

(2) Ibid., p.374.

(3) Ibid., pp.374-5.

(4) Hunt, art.cit., p.558. Cf., Pankhurst, op cit., p.55.

(5) Thompson, Inquiry, p.375.

selfish ethic prevailing throughout the system precluded the development of the sentiment of benevolence necessary to take care of those disabled from production. Reviewing a plan devised by Condorcet for a system of social insurance, Thompson observes that even such a plan would be inadequate to the ends for which it was established, for three reasons: (i) the expense of management costs, (ii) the risk - however small - of the failure of the fund, and (iii) the risk of accidents befalling non-subscribers.<sup>1</sup> Again, he concludes, that only under a system of cooperation could this problem be resolved.

Finally, Thompson observes, the pursuit of knowledge, and the development of improved techniques in the arts and sciences are made "tributary to individual gain".<sup>2</sup> Everyone, under individual competition, employs their mental and physical capacities in order to increase wealth. Since the benefits of innovation dependent principally upon the degree to which knowledge of that innovation is restricted, "concealment ... of what is new and excellent" must, Thompson surmises, of necessity "accompany individual competition".<sup>3</sup>

In addition to the five "evils" outlined above, Thompson, in Labour Rewarded, develops a supplementary point of criticism of the system of individual competition, albeit that system as purportedly developed at the pen of Thomas Hodgskin. Discussing Hodgskin's pamphlet,

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(1) Ibid., p.376.

(2) Ibid., p.378.

(3) Ibid., p.380. Cf., Hunt, art.cit., p.559.

Labour Defended Against the Claims of Capital, Thompson observes that the economic system favoured by Hodgskin as remedial of the defects of the prevailing system was a species of the system of "Labour by Individual Competition".<sup>1</sup>

It was Hodgskin's contention, in his theory of property, that labour ought to receive the entire fruits of its endeavour. The problem of how that could be accomplished in cases of social production - that is, where more than one individual was engaged in the production of a particular commodity - was one that was only unsatisfactorily answered by Hodgskin.<sup>2</sup> The principle that Hodgskin had identified as (possibly) adequate to this end was the "higgling of the market". This principle presupposed, however, that labour was free, and that there existed no prejudice in the estimation of the value of various species of labour. In other words, what was required was "perfect freedom ... of labour, and equal knowledge".<sup>3</sup> But, Thompson asks, "Is not the Competitive System itself an insurmountable bar to this perfect freedom of labour and to this equal diffusion of knowledge?"<sup>4</sup> According to the author of Labour Rewarded, therefore, the system of individual competition is not only

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(1) Labour Rewarded, p.4. Labour Rewarded was written in part as a response to a number of claims advanced, or allegedly advanced, by Hodgskin, in Labour Defended.

(2) See above, section 1.

(3) Thompson, Labour Rewarded. Cf. Hodgskin, Labour Defended, pp.83-85.

(4) Labour Rewarded, p.5.

flawed in the five ways outlined in the Inquiry, but is also incapable of promoting the conditions necessary to the just "higgling of the market".

Having adumbrated the disadvantages of the system of security and individual competition in the Inquiry, Thompson poses the question:

... May there not be found a mode of labour consistent with security, which will not only obviate the evils of individual competition, but which will afford its peculiar benefits - abundant production and development of all the faculties - to a greater, an incalculably greater extent, than the best arrangements of individual competition could afford?

1

His answer is primarily to be found in Labour Rewarded and Practical Directions, though he does consider the advantages of the system of mutual cooperation in the Inquiry. Our analysis of this aspect of Thompson's thought will begin with a brief resume of the principal characteristics of the system of community, and will be followed by a consideration of his views on the means by which such a scheme could be implemented in practice.

Each community within this system of "Mutual Cooperation, Joint Possession, and Equal Distribution"<sup>2</sup> should consist, Thompson argued, (following broadly the lead of Robert Owen) of between 300 and 2,000 people.<sup>3</sup> The system would be based on the common ownership of land

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(1) Inquiry, pp.366-367. Cf., Hunt, art.cit., p.556, Pankhurst, op.cit. pp.102-114; Harrison, op.cit., pp.76-77.

(2) Labour Rewarded, p.114. (Original emphasis).

(3) Inquiry, p.387. Cf., Ibid., p.111.

and capital.<sup>1</sup> Production would be cooperative, geared primarily to subsistence, but later allowing the possibility for a system of exchange of surplus-to-needs, or specialized, produce between communities.<sup>2</sup> Since the producers in such communities would also be the consumers, production would be rationalized according to community needs, thus "affording an unflinching market to each other, an always equal supply and demand".<sup>3</sup> The overproduction, and crises, characteristic of economies founded on competition could be avoided. Machinery would be used as a mere auxiliary of labour, and not as a replacement for that labour.<sup>4</sup>

Distribution would be "just and equal". Everyone would get food and clothing from a common store.<sup>5</sup> Children and young people would sleep in common dormitories, whilst adults would live in small apartments.<sup>6</sup> Childcare would become a communal responsibility freeing women from the oppression characteristic of competitive arrangements.

"UNITE IN LARGE NUMBERS; and render women",  
Thompson urges, "like men, independent of  
individual support, - the creature of Individual  
Competition, and the parent of individual despotism:  
render them by equal development and improvement of  
mind and body, equally useful with men, bound by equal  
duties, subject to equal restraints, partaking of equal  
joys, free-agents like yourselves." 7

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- (1) Labour Rewarded, pp.111, 115. How that was to be acquired will be discussed below.
  - (2) Ibid., p.109., Inquiry, p.387. Cf., Pankhurst, op cit., p.129
  - (3) Labour Rewarded, p.109. (Original emphasis). Cf., Inquiry, pp.421-429.
  - (4) Ibid., pp.109-110. Cf., above section 2(1); and Harrison, op cit., pp.69-70.
  - (5) Labour Rewarded, p.111; Inquiry, pp.387-388, pp.406-414.
  - (6) Inquiry, p.389.
  - (7) Labour Rewarded, p.112. (Original emphasis), Cf., Ibid., pp.389-90, pp.430-432.

Mutual cooperation, leading to an increase in levels of productivity, would automatically provide a system of insurance for the young, old and disabled, and for the community in general, in times of "accident and disease, fire, flood, and famishing seasons" <sup>1</sup> Education would be universal; there would be complete freedom of religion and thought. <sup>2</sup> Government of the community "inherent in itself, in all its adult male and female members", would operate by either a system of election, rotation or seniority - that is, in any manner that is agreeable to the community per se. <sup>3</sup>

These self-governing, economically self-regulating communities would thus supersede "almost all the present institutions relating to law". Removing all the causes of crime, force and coercion would no longer be necessary to domestic peace. Laws would "execute themselves" as all cooperate in the furtherance of the common interest. <sup>4</sup> Similarly, as Pankhurst observes, as the "passion for individual accumulation and display of wealth" receded, "almost all the ordinary functions of government would have ceased". <sup>5</sup> Government (and the state) would thus be superseded by the "voluntary discharge of such of those duties as were found necessary within each separate community for its own benefit", <sup>6</sup> a view which has led Pankhurst

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(1) Labour Rewarded, p.112.

(2) Inquiry, pp.389-90, pp.429-430.

(3) Ibid., p.390. Cf., Hunt, art.cit., p.560.

(4) Inquiry, pp.233, 511-514, 533-535, 563-571, 578.

(5) Pankhurst, op cit., p.131, citing Thompson, Inquiry, p.578.

(6) Ibid., p.578.

to surmise that in his discussion of the state Thompson is not only arguing "more or less along Godwinian lines" but also that he "anticipates the Marxian thesis of the withering away of the State".<sup>1</sup>

Hitherto we have focused upon Thompson's depiction of the system of Mutual Cooperation, Joint Production, and Equal Distribution. It is now time to turn to the question of how that system was to be instituted in practice.

We have already established that Thompson, whilst recognizing the benefits of happiness attendant upon an equal distribution of wealth, was predisposed to maintain that the principle of security was of pre-eminent importance. This meant, of course, that he was not prepared to countenance any species of redistribution founded upon the use of force. By such a practice,

... the unconvinced possessors of the real wealth would suffer more than the majority would gain, the sense of injustice neutralizing the pleasures of the majority, and increasing the pain of the privations of the oppressed. ?

Similarly the employment of force in the initial inauguration of these cooperative communities would generate fear and suspicion that force might again be employed at a later date.

If force ... were used in the formation of the new arrangements of society, what guarantee could be given that force would not be used by every succeeding majority, leading to the annihilation of industry and production. 3

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(1) Pankhurst, op cit., p.131.

(2) Thompson, Inquiry, p.599.

(3) Ibid., p.599. Thompson's reference to the "majority" is, of course, to the working classes.

Communities of mutual cooperation could only be established, then, on voluntary grounds. Although labour might, under the system of "Individual Competition", be secured in the "right" to the whole products of its exertions, there is no reason, Thompson affirms, why it may not:

... in order to ensure a vast increase of production and enjoyment to everyone, as well as mutual insurance from all casualties, voluntarily agree before production to equality of remuneration. 1

The "right" of each individual labourer to the fruits of his exertions can, it seems, be transformed, through voluntary agreement, into a right of the labouring classes to the entire fruits of their collective exertions. The apparent tension between the twin goals of security and equality previously alluded to can be resolved, under the cooperative system, by promoting social, rather than individual, security in the produce of labour. With the entire produce of industry guaranteed (collectively) to the creators of it, maximum happiness can be achieved through equality of remuneration. Everyone would receive an equal portion of wealth, and thence the means to the enjoyment of an equal amount of happiness.<sup>2</sup>

Whilst the benefits of this system are obvious to Thompson, it is clear that the population at large must learn of the advantages of

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(1) Labour Rewarded, p.37.

(2) Cf., Harrison, op.cit., pp.72-3.

cooperation. Since communitarianism cannot be imposed from without - whether by government or working-class insurrection - Thompson claims its advantages must be demonstrated through persuasion and example.

Men must ... be governed by their reason, contemplating their interest. These communities must not (then) be formed, and ought not to be formed, by enthusiasm, any more than by the arm of authority. Every individual cooperator must be, and ought to be, convinced. 1

Thompson regarded, therefore, worker education as fundamental to the foundation of communitarianism, and saw the Mechanics' Institutes of his day as potentially capable of diffusing the knowledge requisite to enable the working classes "to acquire the art of judging correctly, (and) of verifying every proposition presented to them".<sup>2</sup> This dissemination of knowledge, he believed, would ultimately persuade all the working classes of the advantages of cooperation. The rich minority who might not see it to be to their advantage to participate in such a scheme, Thompson felt, would ultimately be compelled to accept the supremacy of this system over all others in the achievement of happiness, for two reasons. First,

... where there is public opinion founded on knowledge, a minority can never long resist it.<sup>3</sup>

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(1) Thompson, Inquiry, p.57<sup>o</sup>.

(2) Labour Rewarded, p.45. Thompson lists a series of measures which would improve the service to the working classes provided by the Mechanics' Institutes, such as the proliferation of those organisations in small towns, and in the countryside, the development of regular courses of education for children and so on. Cf., Ibid., pp.45-46.

2. Inquiry, p.5<sup>oo</sup>.

And second, because the small capitalist minority,

...whether convinced, sympathizing, prudential, or not, would, under such circumstances, find no other use for their capital than making it instrumental to bring about the new order of things generally desired.

The abolition of all the conditions productive of insecurity would disable the capitalist class from profiting at the expense of the labouring class.

As we noted above, Thompson believed that the advantages of cooperation must be demonstrated through persuasion and example. In order to demonstrate by example, he favoured the establishment of prototype communities. We shall now examine how such show-case communities were to be established, and how ultimately the system of mutual cooperation was to be established throughout the country as a whole.

Thompson's denial of the use of force in the establishment of communitarianism, meant that the land and capital necessary to the formation of such a scheme had to be acquired with the consent of their present proprietors. This necessitated that the labouring classes somehow acquire sufficient funds for the purchase or loan of these necessary factors.<sup>1</sup> As Thompson observes in Labour Rewarded, capital must be created from the "saving of wages". A central role was allocated, therefore, to the trade union organisations of his day. Already based upon cooperation, and upon the principle of the common and equal good of all, Thompson saw

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(1) Ibid., p.599.

the union movement as a natural choice in mobilising support and funds for the establishment of communities of mutual cooperation. In Labour Rewarded he exhorted the working classes to unite and form "Agricultural and Manufacturing Associations"<sup>1</sup>. The funds for this purpose may, he declared, be acquired in one or two ways - by means of the Unions, or as the result of individual savings unconnected with the unions. Where funds are provided by unions, these, Thompson declared, simply constitute loans repayable out of the produce of labour based upon cooperation.

These funds, repaid by one set of individuals out of the produce of their united labour, made universally skilful and productive, and freed from the trammels of competition and the defalcations of exchange and distribution, might be immediately lent to another set of individuals, anxious like their predecessors to enjoy the whole products of their united labour ...<sup>2</sup>

This process of loan and repayment would, Thompson speculated, continue until "Industry by Mutual Cooperation, or the Union of Large Numbers, every where superseded Industry by isolated exertion and Individual Competition".<sup>3</sup>

In addition to the role of the union, was the function of the London Cooperative Society in setting up cooperative communities. Their object was, Thompson announced, the acquisition and diffusion of "information as to the most efficient mode of attaining this great end, 'security to labour the whole products of its exertions'".<sup>4</sup> They were thus to be instrumental - as an

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(1) Labour Rewarded, p.102.

(2) Ibid., p.103.

(3) Ibid., p.103.

(4) Ibid., p.106.

advisory body - in setting up communities, the members of which shall be themselves "the sole proprietors of every thing requisite to make their labour productive".<sup>1</sup> In order to facilitate the formation of such communities the London Cooperative Society framed "Articles for Agreement 'For the Formation of a First Community of Mutual Cooperation, Joint Possession, and Equal Distribution' ..."<sup>2</sup>

The primary medium for the establishment of the system of mutual cooperation are the Unions, who together with the London Cooperative Society would furnish the funds and information vital to the foundation of communitarianism. Unlike Owen, therefore, Thompson did not favour the sponsorship of such schemes by wealthy philanthropists,<sup>3</sup> nor their instantiation by government.

One final point should be made about Thompson's conception of reform, before we move on to consider John Francis Bray's blueprint for the inauguration of the "Age of Right", and that is, that Thompson regarded those schemes outlined by "political economists, and political moralists, to improve the situation of the Industrious Classes",<sup>4</sup> as mere "palliatives", designed to remedy the superficial ills of the existing system, without attacking the main source of that ill. Although some, such as the establishment of simple representative institutions,<sup>5</sup> could be harnessed by

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(1) Ibid., p.106.

(2) Ibid., p.107.

(3) Ibid., pp.98-99.

(4) Ibid., p.vii.

(5) Cf., also societies and organisations for the diffusion of knowledge. Cf., Ibid., pp.44-46.

the cooperative movement after the establishment of some initial communities since they themselves formed secondary goals to be promoted by the communitarian ethic, they were, on the whole, regarded with disdain.<sup>1</sup>

We shall now proceed to an examination of the reformatory ideas of John Francis Bray.

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(1) Cf., Thompson's treatment of the Corn Laws, pp.56-57; and the employment of machinery, pp.57ff.

(iii) John Francis Bray: The Inauguration of the "Age of Right"

We are a numerous people, and we want strength!  
 We have an excellent soil and we are destitute  
 of provision! We are active and laborious,  
 and we live in indigence! We pay enormous  
 tributes, and we are told that they are not  
 sufficient! We are at peace without, and our  
 persons and property are not safe within!  
 What then is the secret enemy that devours us? <sup>1</sup>

In the previous chapter we observed that Bray identified the prevailing institution of property as the root cause of oppression and exploitation of the working classes.<sup>2</sup> On the assumption of human equality Bray deduced a number of "first principles" or "natural laws" - viz., that labour ought to be universal, that the earth ought to be the common property of all its inhabitants, and that equal effort ought to be equally recompensed.<sup>3</sup> In addition to these first principles, Bray also examined the practical criteria for the attainment of utility, as stipulated by the "political economists": namely, there shall be labour, accumulations and exchanges. Operating universally, and upon an egalitarian basis throughout society, these conditions would be perfectly consistent with the first principles postulated by Bray. However, under present circumstances, the institutionalised infraction of these conditions consequent upon the private ownership of land and capital, generates gross inequality of wealth, and serves only to perpetuate the prevailing division of society into two classes - a capitalist and a labouring class.

Society properly conceived ought to serve to neutralise the natural mental and bodily inequalities of man, and to equalise the benefits accruing from the "wise and judicious" application of labour, capital and machinery.<sup>4</sup> The question is, therefore, how can the prevailing operations

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(1) Bray, Labour's Wrongs, p.14.

(2) Cf., chapter 7, section 1(1), pp.415-424 of this thesis.

(3) Labour's Wrongs, pp.28, 30.

(4) ibid., p.95.

and institutions of society be made to conform with the normative principles outlined above, and embodied in the slogan "UNIVERSAL LABOUR and EQUAL EXCHANGES"?<sup>1</sup>

Bray's response is, in fact, quite categoric. "If we would end our wrongs and our miseries at once and for ever, THE PRESENT ARRANGEMENTS OF SOCIETY MUST BE TOTALLY SUBVERTED".<sup>2</sup> Only a complete change of system can inaugurate the age of right and ensure equality of exchanges, with this change of system based principally upon the abolition of private property in the productive resources of the nation.

The major problem with all the remedies previously devised is that they fail to strike at the cause of the problem, the economic foundation of society<sup>3</sup>, treating only its superficial, secondary effects, merely altering "the appearance and ... form of the Great Wrong - leaving untouched its very essence."<sup>4</sup> Such remedies represent simply the "partial amelioration of the condition of the working class as a working class".<sup>5</sup> The solutions advanced by political associations, trades unions, and reform societies, such as that lobbying for a legal limitation on working hours<sup>6</sup>, assume as given the employer-employee nexus,<sup>7</sup> and the prevailing pattern of class division.

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(1) ibid., p.75.

(2) ibid., p.17.

(3) cf., Henderson, J. P. "An English Communist", HOPE, 1985, for one interpretation of the relationship between Bray and Marx.

(4) Labour's Wrongs. p.97

(5) ibid., p.100

(6) ibid., p.101. Cf., pp.98-101.

(7) Gray, Alexander, The Socialist Tradition, p.287.

This particular propensity can be illustrated by reference to the reform movement for the abolition of the Corn Laws. The adherents of this movement assume that simply by opening up the market to cheap foreign corn, the huge burden imposed upon the productive classes through the extraction of enormous rents will be alleviated. Here Bray dissents. It is the ownership of the land by a class, enabled thereby to determine the conditions upon which and the extent to which food shall be produced, that explains the oppression of the working classes.<sup>1</sup>

The exclusive possession of the soil by particular individuals is a social arrangement which has been proved to be productive of evil under all circumstances; and, in countries where the land is very limited in extent and unequal in fertility, individual possession gives rise to institutions of the grossest vileness and injustice ... 2

There is wanted (therefore), not a mere governmental or particular remedy, but a general remedy - one which will apply to all social wrongs and evils, great and small. 3

and this is provided by the "social system of community of possessions", wherein "labour shall be universal ... land and all productive property shall be held and enjoyed in common", and in which the rights and duties of all individuals will be founded upon egalitarian principles.<sup>4</sup> Man will live in a kind of universally (or at least nationally) extended family; an "equal brotherhood of love" united by a common and indivisible interest.<sup>5</sup>

On the assumption that the structure of economic organisation determines the political superstructure,<sup>6</sup> so the transformation of the production and exchange process will lead to an alteration in the

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(1) ibid., pp.181-3

(2) ibid., p.182

(3) Labour's Wrongs, p.8.

(4) ibid., pp.123-4

(5) ibid., p.121. (6) ibid., pp.17-22; 36-37; 95-107; 124-6, passim.

distribution of political power. Political power emanates from economic power, based on the acquisition and monopoly ownership of wealth, thus the emancipation of the labouring classes from the prevailing system of competitive capitalism will, through its equitable distribution of wealth, lead to a wider dispersal of the powers of government.

The formal structure for this scheme of community of possessions, would be provided by the establishment of a plethora of communities comprising between 1000 and 5000 inhabitants working together in special, functionally-designed surroundings.<sup>1</sup>

This communitarian scheme bears only a passing resemblance to that advocated by Owen, and substantially reproduced by Thompson, however. As we previously observed, Owen viewed each community as an independent, self-sufficient and self-governing producer co-operative. Each community would, as a community, own all the productive resources necessary for its efficient operation. Owen also believed that it was possible, through the setting up of one isolated, experimental community, to lead by example. Thus he envisaged the gradual extension of communitarianism through society, until a network of such communities of mutual cooperation were established.

Bray, however, views communitarianism slightly differently. Firstly, individual communities were not necessarily self-sufficient. Allowing some latitude to geographic contingencies, he recognises that some degree of specialisation would, in fact, be inevitable. This would simply result in a vast exchange network.<sup>2</sup>

Secondly, he seems to assume that the productive resources of the nation will be the common property of all its inhabitants as a nation, and simply available for use by each community.<sup>3</sup> How the capital generated

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(1) ibid., p.124

(2) ibid., p.132.

(3) ibid., pp.46-8; 178; 179 passim.

by each individual community should be distributed is an issue Bray fails to consider, though his previous reasoning would probably lead him to regard it is a national asset, transferable, if necessary, to those locations most necessitous of it.

Finally, Bray does not regard such communities in the same exemplary light as Owen. He dissents from the view of their gradual introduction throughout society as the working classes slowly acquire the requisite capital and land, arguing alternatively for a two-stage plan. The transformation of society would commence with the gradual setting-up of joint-stock companies, and progress, once all the nation's land and capital were secured, and the populace accustomed to the principles and practices of harmony and cooperation, to the ideal of community of possession.<sup>1</sup>

Arrangements for the organisation of such communities were three-fold: arrangements for: "the production and equable distribution of an unlimited quantity of wealth", the "physical, moral and intellectual culture of every member of society", and "the proper government of society at large",<sup>2</sup> with this latter category covering all aspects of societal regulation.<sup>3</sup>

The basic principle upon which such communities are to be founded is the concept of cooperation.

Man is by nature a social being, governed inexorably by the "indestructible but directable principle of self-love!"<sup>4</sup> Depending on prevailing social circumstances, this principle may be made to benefit an individual directly, without benefitting his fellows; to benefit an individual directly whilst simultaneously benefitting his fellows; or to benefit him indirectly through the medium of others.<sup>5</sup> The "first mode of

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(1) Cf., Edwards, John, "John Francis Bray", The Socialist Review, 1916, pp 329-41.

(2) ibid., p.125.

(3) Eg., foreign trade, the settlement of disputes, and the protection of property and persons.

(4) Labour's Wrongs, p.111.

(5) ibid., p.111.

operation" is, Bray declares, "incompatible with personal safety and social peace", the second "unfavourable to the growth of individual charity and general love", and the third alone "contains within itself the elements of safety, charity and peace".<sup>1</sup>

The worthiness and workability of any form of society is contingent upon the manner in which this principle of self-love is harnessed. Currently it is left to function in an innately selfish and egoistic manner. Each individual acts only to promote his own selfish interest. In consequence society is divided into an oppressed labouring class, and a parasitic owning class.

Subscribing to Owen's philosophy that society - its organisation and institutions - is the formative influence par excellence of the human character Bray notes that:

Such, then, being the nature of man, and such the influences of circumstances upon him, his destiny is placed within his own hands; and it is in the power of society, as a whole, to determine, by the establishment of particular social institutions, what shall be the general character and habits of its individual members. Thus the evils of every kind now endured may not only be alleviated, but totally removed. 2.

The various controllable circumstances pertaining to the happiness of man are of two kinds: the physical - concerned with the production of wealth for the satisfaction of human wants - and the moral - relative to his intellectual and moral cultivation.

In respect of the former, wealth is at present subject to the operation of two principles - competition and cooperation. Whilst competition is an inherently divisive principle, cooperation properly:

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(1) ibid., p.111.

(2) ibid., p.113.

directed is capable of conferring enormous benefits on mankind collectively. The means of undermining competition are two-fold: First, the subjection of man to a peculiar course of moral training inculcating him with "higher feelings and actions", and secondly, the creation for all of a sufficiency of commodities thus neutralising the incentive to competition. Only under the social system of community of possessions and equality of rights sketched by Bray, will both these objectives be fulfilled.

The transformation of existing societal arrangements faces two difficulties. The first concerns the logistics of acquiring all the requisite land and reproducible wealth necessary to establish this system of communities. As Bray somewhat cursorily observes at this juncture, this is to be effected by an enormous act of purchase. However, the impecunious condition of the labouring classes precludes them from establishing the system of community on a large scale.<sup>1</sup>

Secondly, and relatedly, man "as he is at present",<sup>2</sup> nurtured in the atmosphere of competition, seems an unlikely candidate for a system founded upon harmony and equality. Community of possessions represents for Bray "the most perfect form of society" capable of human institution, and one which requires, therefore, a "corresponding degree of excellence in the character and qualities of all who enjoy its influence."<sup>3</sup>

We might as well expect to behold the fly  
to spring up at once from the maggot, as expect  
that man can go, by one remove, from the present  
system into one so dissimilar in all its parts  
as in the system of community. 4.

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(1) Cf., ibid., pp.127-129.

(2) ibid., p.129 (original emphasis).

(3) ibid., p.133

(4) ibid., p.133. Cf., p 130 where Bray notes that previous communistic experiments failed because of this lack of excellence.

Man is, however, perfectible. All that is required is the time and circumstance to effect the necessary transformation. Bray advances two options here. Either sufficient capital funds must be made available to support mankind until the process of regeneration is accomplished; or else, a transitional 'half-way house scheme', "fitted to take society as it is, and to prepare the way for other and better changes",<sup>1</sup> must be devised. Bray prefers the latter option, and sets about detailing the "joint-stock modification of society."<sup>2</sup> This transitional scheme will combine "individual property in productions" with "common property in productive powers - making every individual dependent on his own exertions", whilst simultaneously "allowing him an equal participation in every advantage afforded by nature and art".<sup>3</sup>

The details of the scheme are quite straight-forward. The entire working population of the United Kingdom - currently estimated at five million - is to be formed into a number of joint-stock companies, each containing between 100 and 1000 men. Each joint-stock company will contain members of a single trade, specialising in either the production or distribution of a particular commodity. Each company will have for use, either by "hire or purchase" the requisite land and fixed capital of the country. The flotation of each company will be brought about by the issue of a circulating bank-note capital equivalent to £100 for each associated member.<sup>4</sup> of the community, which, since it also comprises the women and children connected with the five million producers - a further fifteen million people - will provide a capital of £200,000,000.<sup>5</sup>

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(1) ibid., p.194. Cf., Gray, Alexander, op.cit., pp.287-8.

(2) ibid., p.161.

(3) ibid., p.194 (original emphasis).

(4) The problem of currency and banking will be considered shortly.

(5) Labour's Wrongs p.157.

The affairs of these companies would be regulated by local and general boards of trades, elected by the associated members, responsible for the regulation of aggregate levels of production and distribution. Together with the managers and overseers in charge of each company, the boards would determine the quantity of various goods required for consumption; the relative value of all commodities; the number, and description of labourers required in various trades, and all production and distribution related issues.<sup>1</sup>

Each associated member would receive a weekly wage for his labour, determined according to the number of hours worked. "If one person worked a whole week, and another worked only half a week, the first would receive double the remuneration of the last". Ultimately however, everyone will work the same number of hours (optimally 5 hours a day) and receive a uniform wage. In this way, the labourer will "ultimately receive the whole fruits of his labour".<sup>2</sup> The underlying assumption of Bray's scheme is that all who are able must labour.<sup>3</sup> Since the joint-stock scheme preserves the individual right of property in the produce of labour, individuals would be able to accumulate as much of their produce as they desired, and inequality of wealth consequent upon such accumulation would be a natural and harmless feature of society contingent as it is upon the imperative to labour, and the equality of exchanges.<sup>4</sup>

Just as remuneration is calculated according to labour expended determined by man hours, so cost of production would always determine value, with equal values exchanging for equal values.<sup>5</sup>

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(1) ibid. pp.157, 160, 162, 180, passim.

(2) ibid., p.160.

(3) Bray makes special concessions for the old, infirm and young, etc., unable to work, as we shall see.

(4) Labour's Wrongs, p.168.

(5) ibid., p.160.

Bray is quite emphatic that this joint-stock modification represents only a preparatory step on the road to full community. One advantage of the scheme is, that by founding the reward of labour upon egalitarian principles, time is afforded for the acquisition of the requisite moral and social habits necessary for communities of possession, via the extended diffusion of knowledge, and the practice of greater co-operation.<sup>1</sup>

This, in broad outline, is Bray's scheme for the functioning of joint-stock companies, a scheme anticipating in a number of ways the philosophy of Guild Socialism promulgated in Britain in the 1900s.<sup>2</sup> Common to both philosophies is a belief in the title of labour to the full fruits of its endeavour; in the provision of worker control over production; in the ownership by the community at large of the means of production, allied with the belief in the day-to-day authority over economic processes being attributed to the respective joint-stock company or Guild; and finally the view that producers are eligible for remuneration irrespective of factors such as health, trade conditions, and bad harvests which may interfere with their capacity to labour, but over which they have no control.<sup>3</sup>

One major difference between the two philosophies relates to the status of exchange. The Guild Socialists argue that the organisation of production is of utmost importance,<sup>4</sup> whereas Bray believes that the rationalisation of production - though occasionally this differential is lost sight of.

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(1) ibid., p.160.

(2) Edwards, art.cit., p.333. Cf., (e.g.) Burkitt, Brian, Radical Political Economy, pp.121-127 on Guild Socialism.

(3) Burkitt, op.cit., pp.122-123.

(4) ibid., p.121.

The means of actually setting up his scheme of joint-stock companies, and acquiring the requisite real capital, still requires consideration.

As Noel Thompson notes, this was to be effected by a "colossal act of equitable exchange".<sup>1</sup> Preliminary to this exchange is, however, a reformation of the basis of the prevailing monetary system of the country, redolent of that espoused by Owen, but more particularly Gray.<sup>2</sup>

As we observed in the last chapter<sup>3</sup>, the deficiency of currency relative to capital was cited by Bray as one reason for the existence of widespread unemployment, and formed, together with the credit system, the "great armoury from whence the capitalists derive all their weapons to fight with and conquer the working classes."<sup>4</sup>

Like Gray, Bray proposes that the issue of money should be consequent upon the prior existence of actual produce.<sup>5</sup> It should exist in sufficient quantity to represent the entire amount of capital available for production at any one time. As a representative of existing capital, there is no need for the substance nominated as money to have any intrinsic worth of its own. Its value derives only from its conventional usage. It must possess the characteristics of inimitability,<sup>6</sup> portability, devisibility and durability.

The new medium of exchange, devised to supercede the prevailing medium, consists of paper money and pottery coinage, bearing two

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(1) Thompson, N.W, op.cit., p.98.

(2) See section 3, pp.540-543 and pp.544-555.

(3) See chapter 7, section 3, pp.452-477.

(4) Labour's Wrongs, p.146.

(5) ibid., p.145.

(6) Presumably the imposition of a stamp, or other identifying insignia.

denominations - the amount of labour and the amount of sterling.<sup>1</sup>  
 This new currency is to be generated by a national bank, and issued to the various joint-stock companies in proportion to the number of their associates and the nature of their trade. With this money, all the transactions of society will be effected.

The money issued would always keep within the limits of the actual effective capital existing; and it would, like blood within the living body, flow equably throughout society at large, and infuse universal health and vigour. 2.

All the fixed capital of the country required for the functioning of the joint-stock companies outlined, might be purchased, Bray proposes, by notes issued by a council of delegates. Production would, as Noel Thompson argues, be socialised by purchase.<sup>3</sup>

Two obvious problems present themselves. Firstly, the title the capitalist holds in relation to his property, though based only upon conventional privilege, and not upon right, is still protected by the laws of justice and secondly, the capitalists as a class are likely to be reluctant to sell their property, constituting, as it does, the basis of their power and privilege.

Balanced against this is the general interest of society. When the property of an individual or class interferes with the welfare of the body politic - as in the case of the construction of railways, and roads - such property is usually "equitably valued, and paying its owners the price fixed upon, (society) take(s) the property independent of their consent."<sup>4</sup>

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(1) Labour's Wrongs, p.172.

(2) ibid., p.180.

(3) Thompson, N.W., op.cit., p.98; Cf., Gray, Alexander, op.cit., p.288; Lowenthal, op.cit., p.97; and Lloyd-Prichard, M.F., Introduction to Bray, J.F., A Voyage from Utonia, (1842), first published by Lawrence and Wishart Ltd., in 1957 (London), pp.12-14.

(4) Labour's Wrongs, p.174.

Thus, whilst the consent of the capitalist to submit to such a purchase may be waived, the terms of that purchase must be equitably grounded. Since the labouring classes do not at present own sufficient funds to purchase the requisite capital - at its just value - Bray proposes that the notes or bonds offered to the capitalist should represent a kind of promissory note of future intent to pay.<sup>1</sup> Thus:

If a workman pay gold to a capitalist, or one capitalist pay gold to another, he merely gives a representative of the things which labour has produced - if he gives a bond to pay at a future time, he merely promises to pay what labour will produce. 2.

Once the entire produce of labour is secured to the producers of it, they will have the financial potential to pay off their debts, with the requisite funds being either obtained at source, via a direct tax on labour, or through the imposition of a percentage upon commodities,<sup>3</sup> until such time, presumably, as the institution of community of possessions.

The ramifications of the establishment of the joint-stock modification of society extend beyond the simple reunion of labour with its product, and the issue of equitable exchange, to cover the development of a collective social responsibility for the care, upbringing and education of children,<sup>4</sup> and the physical, moral and intellectual emancipation of woman.<sup>5</sup> In addition to this the productive resources of society will be such as to support the old, the infirm and the impotent, as a matter of right, not charity,<sup>6</sup> and to guarantee employment to all.

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(1) Payment could, as it were, be by instalment.

(2) Labour's Wrongs, p.173 (original emphasis).

(3) ibid., p.180; cf., also p.214.

(4) cf., ibid., pp.165-7. cf., Gray, Alexander, op.cit., p.288. Bray fails to outline the reforms necessary to accomplish this end.

(5) ibid., pp.167-8.

(6) ibid., p.168.

Finally, all losses to individuals, and companies, by fire, shipwreck or bad harvest will be spread throughout society at large.

There would be one great gainer and one great loser - the nation - for society would form, as it were, one vast insurance company, in which the profits only would be known, and the losses be unfelt or unseen. 1.

Only with the establishment of this joint-stock system could the conditions requisite to the foundation of the "social system of community of possessions" be fostered, for only under the joint-stock modification would man be nurtured in the spirit of cooperation and equality necessary to the efficient functioning of the communitarian scheme.

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(1) ibid., p.168.

### Section 3: The Question of the Monetary System

Another problem that perplexed the anti-Ricardians in their analysis of the iniquitous workings of the capitalist system was the way in which the monetary system actually contrived to deny the labourer both employment, and the full fruits of his endeavour. Our focus in this section concerns the scheme devised by one of the anti-Ricardians - John Gray - to reform the monetary system along conventions consonant with the just principles of appropriation and valuation, and which included the establishment of a labour-based currency. The section will begin with a review of Robert Owen's contribution to the money supply debate, before moving on to an examination of Gray's plan for currency reform.

#### (i) The Influence of Robert Owen(II): Currency Reform.

In Section 2(i) we noted that Owen was influential in providing some of the anti-Ricardians with a ready-made scheme, suitable for the implementation of the just principles of appropriation and distribution. In this part of this section, we propose to illuminate, briefly, Owen's views on currency reform and the labour standard of value, for as we shall in the rest of the section, this also provided inspiration for some of the anti-Ricardians in their endeavour to discover the optimum means of reconciling labour with its product.

The "NATURAL STANDARD OF VALUE", Owen declared in the "Report to the County of Lanark", is "HUMAN LABOUR".<sup>1</sup> Since such labour is capable of quantification, through something akin to the means employed to measure human or equine physical power, and since, "its exchangeable value, with all other values, (may be) fixed accordingly", it ought

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(1) Owen, op.cit., in Cole, G.D.H. (ed.) A New View of Society and Other Writings, (London, Dent, 1927), p.250.

naturally to form the basis of both exchange and distribution, as it is utilised universally in the production of commodities.<sup>1</sup>

The "prime cost" of every article is regulated, he declares, by the "net value of the whole labour contained in any article ... (together with) the material contained in or consumed by the manufacture of the article forming part of the whole labour".<sup>2</sup> Although the meaning attributed by Owen to the phrase "whole labour" is never specified explicitly, it appears from the context to resemble the assertion of the classical economists, that the value of any article comprised both the immediate and accumulated labour embodied in its production. In other words, prime cost is determined by the quantity of immediate human labour expended in production, plus an amortisation charge on the capital wasted in production - with profit, as interest, excluded from the equation (presumably on the grounds of the illegitimacy of the capitalist's return). In order, therefore, that labour be remunerated according to its intrinsic value, commodities must exchange according to total labour cost.<sup>3</sup>

Until the advent of a monetised economy, labour, as the natural purchase price of commodities, had determined their ratio of exchange. The intervention of money, however, led to an abrogation of this principle, and to the development of an artificial standard of value.

The medium for the easy, and advantageous, and just exchange of wealth, as long as any medium shall be required, must possess the quality of expansion and contraction to a fractional accuracy as wealth for exchange expands or contracts. 4.

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(1) ibid., p.262.

(2) ibid., p.251. cf. Thompson, The People's Science, p.75.

(3) ibid., p.261.

(4) Owen, Book of the New Moral World, Book II, p.26. cf. also, Book V, ch.iii, pp.25-27 (My emphasis). cf. Brav, John Francis, Labour's Wrongs and Labour's Remedy, pp.137ff and Gray, John, e.g., An Efficient Remedy for the Distress of Nations, pp.6-7; and Lectures on the Nature

This flexibility in the supply of money is absent in a currency based on gold and silver, since both as commodities are potentially limited resources, and necessitate labour in their procurement. Their supply cannot be extended or contracted freely as the goods it represents vary in supply; and, in consequence, the value of goods reflects, not labour time, but the quantity of gold and silver in existence at any one time. The exchangeable value of commodities can only be restored to their natural level through the erection of a currency founded upon labour expenditure; that is by "forming arrangements by which the natural standard of value shall become the practical standard of value."<sup>1</sup> Owen devised, thus, a scheme of "labour notes", each representing an amount of labour time, to be issued by a National Bank.<sup>2</sup> In this way, any individual depositing a product created by his own labour in a community warehouse, would receive a labour note to the value of the amount of time invested in that product, with which he could purchase other items.<sup>3</sup> The exchange of commodities would, therefore, be equitable, the labourer would be remunerated according to endeavour, and the money supply tied to the supply of wealth.

In fact, Owen not only devised such a scheme, but he also endeavoured to put it into operation, with the establishment, in 1832, of the National Equitable Labour Exchange, a bazaar-like organisation where workers swapped their produce for labour-notes, functioning as outlined above.<sup>4</sup>

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- (1) Owen, "Report to the County of Lanark", p 262 (original emphasis).  
 (2) cf., The Life and Times of Robert Owen, vol 1A, p. xix.  
 (3) cf., "Report to the County of Lanark", p. 262; and The Life of Robert Owen, vol 1A, p. xiv.  
 (4) cf., Taylor, op.cit., p. 86 and Hovel, op.cit., pp.46-7. The scheme was beset by difficulties, not least those created by the problem of operating within a competitive system.

The issue of money along the lines described above is, Owen observes, necessary to "set industry free and at work over the world", and thus to prevent "the complaint of a single individual for want of useful and profitable employment",<sup>1</sup> for at present unemployment is founded upon a deficiency in the quantity of money compared to capital. Although capital abounds, the lack of a sufficient medium of exchange forces many into idleness and social misery, thus both derive from, and are exacerbated by, an artificial and deficient currency;<sup>2</sup> however, once the money (labour) is based on the natural standard of value, and its supply is in a state of parity with the available wealth of the nation, employment will be available for all, and men will be recompensed according to justice.<sup>3</sup> This notion that unemployment (or the deficient demand for labour relative to supply) derives from an inequalitarian system of exchange, and the existence of a currency founded upon incorrect principles, receives, as we shall see in the next part of this section, a much more comprehensive treatment at the hands of John Gray. Having outlined sufficiently for our purposes Owen's ideas on this topic, it is to Gray's examination of the currency question that we now turn.

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(1) Book of the New Moral World, Book II, p. 27.

(2) cf., Beer, M., A History of British Socialism, (London, George Allen and Unwin Ltd., 1948 repr.), p. 178.

(3) cf., Book of the New Moral World, Book II, pp.25-29.

(ii) John Gray: Monetary Reformer

Although the assertion that Gray is an Owenite, in his early works at least, is largely unexceptionable, to regard him as a communitarian would however be a mistake. Apart from his appendage, to the Lecture on Human Happiness, of the articles of agreement for the formation of a community on principles of mutual co-operation drafted by the London Co-operative Society, his theoretical interest in communitarianism is very limited,<sup>1</sup> though his practical involvement was apparently greater.<sup>2</sup>

The Lecture is devised partly as a defence of Owen's faith in co-operation, and partly as a critique of the economic structure of society, the main theme of which is that competition represents an 'unnatural fetter to production.'<sup>3</sup> Owen's scheme of communities of mutual co-operation is acceptable to Gray on the specific grounds that "it abolishes the circumstance which now limits production, and gives to the producers the wealth that they create".<sup>4</sup> Quite simply, the employment of men on the principles of co-operation will dissolve the system of competition, and reunite the labourer with his product.

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- (1) The American edition has an appendix containing the Preamble and Constitution of the Friendly Association for Mutual Interests, located at Valley Forge, (Philadelphia, J. Coates Jr., 1826). Gray also composed a short critical tract about the management of the Orbistonian community established upon communitarian principles in 1825. cf., A Word of Advice to the Orbistonians, n.p., 1826.
- (2) He was involved in the management of Orbiston (c.1815), for example. cf., Lowenthal, The Ricardian Socialists, p.48. 1815 is her date - though 1825 seems more likely.
- (3) Lecture on Hu.Happ., pp.48 ff.
- (4) ibid., p.46 (original emphasis).

What Gray derives from Robert Owen is not, however, a plan for the establishment of co-operative communities, but a belief in the power of co-operation as the only antidote to the ills of competition. Indeed, Gray expressly declares at the end of the Lecture that:

In a Future Lecture we shall endeavour to explain another set of arrangements on the basis of a national capital, by the introduction of which, the only limits to our wealth would be the exhaustion of our productive powers, and the satisfaction of our wants. 1.

The plans to which we allude are altogether different from those proposed by Mr. Owen ... but we entertain a hope that they will be useful in proving to the world, that unity of interest is in every way consistent with individuality and distinction of property. 2

The intimation at the end of this quotation that "unity of interest", is reconcilable with "distinctions of property" suggests that Gray, although favouring the nationalisation of capital, is still an individualist, believing in the right of the individual to own, and use, whatever he can produce himself.

Basic to his critique of competition in the Lecture is an embryonic theory of underconsumption. Competition, he alleges, renders production contingent on demand.<sup>3</sup> Effective demand is determined by disposable income, and at present:

the income of every individual and consequently of the WHOLE COMMUNITY, except those persons who have fixed money incomes, is LIMITED BY COMPETITION ... each obtains the LEAST that his labour, his services, or the use of his property CAN POSSIBLY BE OBTAINED FOR. 4.

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- (1) That is, the natural limits to production identified earlier in the Lecture.
- (2) Lecture on Hu. Happ., p.59 (my emphasis).
- (3) cf., chapter 7, section 3, pp.452-477 of this thesis.
- (4) Lecture on Hu. Happ., p.54.

So, whilst "our power of creating wealth increases", the competition amongst labourers for employment means that "it will be obtained with increased difficulty".<sup>1</sup> And so, overproduction results from the increasing immiseration of the labouring classes due to increased competition.<sup>2</sup>

In the Lecture Gray fails to formulate a specific policy for the reconstitution of society upon equitable, non-competitive grounds, merely hinting that the abolition of competition would so suffice.

However, his implicit identification of the insufficiency of purchasing power as fundamental to overproduction suggests, as Alexander Gray notes, a monetary remedy. In his later works, therefore, the emphasis shifts to the speculation that it is in fact the actual under production of currency that is responsible for the "aggregate over-production of commodities".<sup>4</sup> In this his philosophy is close to both that of Robert Owen, and John Francis Bray. They both perceived the lack of correlation between the money supply and the magnitude of production as responsible for unemployment, and poverty. Owen observes in his Address to All Classes in the State,<sup>5</sup> for instance, that such unemployment and poverty arise "solely because there are not sufficient quantities of certain metals ... to circulate as artificial money". Likewise Bray comments that "Thousands are now

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(1) ibid. p.54 (original emphasis) cf., p.55 also; King, art.cit., p.248; Thompson, N.W., The people's science, pp.174 ff; Lowenthal, The Ricardian Socialists, pp.58-60.

(2) cf., King art.cit., p.214.

(3) Gray, Alexander, The Socialist Tradition, p.295.

(4) Gray, John, Lectures on the Nature and Use of Money, (Edinburgh and London, 1848), p.77; cf., King, art.cit., p.251.

(5) (London, 1823), p.7. Cited in Thompson, N.W., op.cit., p.175.

idle and poor because no person can set them to work - they cannot be set to work simply because themselves and others are destitute of the requisite money".<sup>1</sup> The foundation of Gray's later works,<sup>2</sup> therefore, is provided by a scheme of monetary reform based on the rendering commensurate of the money supply, and the supply of products, causing "the production of goods to become the unfailing cause of a demand for them".<sup>3</sup>

What was required therefore was the implementation of a scheme whereby each unit of output necessarily generated an equivalent quantity of money,<sup>4</sup> and whereby the consumption of each unit of output would necessarily occasion the destruction of an equivalent quantity of currency.<sup>5</sup>

Gray's plan comprises the restoration of a labour standard of exchange, the establishment of a National Bank and associated National Chamber of Commerce, and the institution of a system of factories, warehouses and wholesale depots.

Rationalisation of exchange first requires the foundation of currency upon an invariable standard of value. "Only by the adoption of an immutable standard of value ... (can) goods continuing to cost the same labour in their production ... continue to maintain the same price in the market".<sup>6</sup> The problem with gold and silver is that they

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(1) Bray, Labour's Wrongs, p.145.

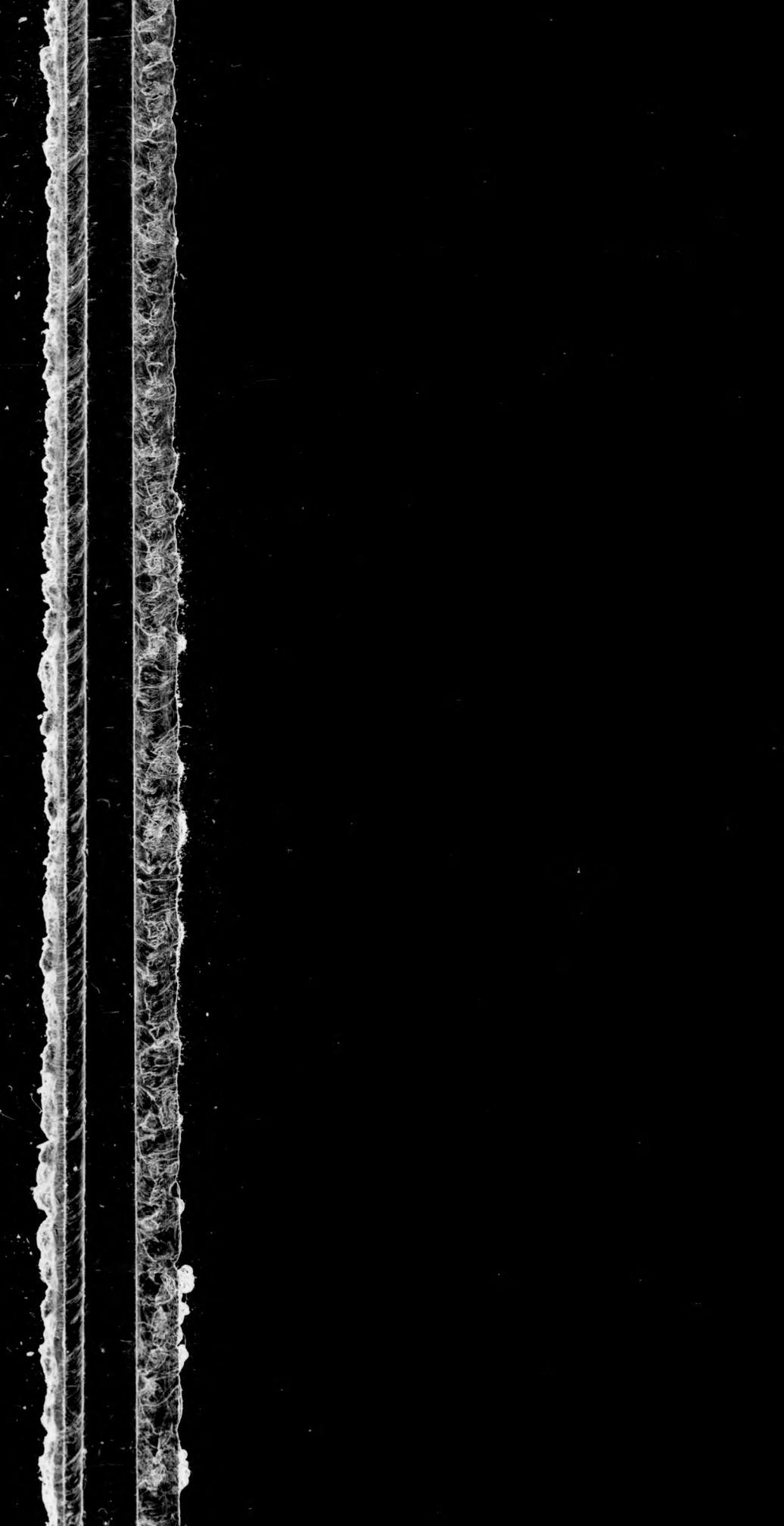
(2) Gray, John, The Social System: A Treatise on the Principles of Exchange, (Edinburgh, 1831); An Efficient Remedy For the Distress of Nations, (Edinburgh and London, 1842); The Currency Question. A rejected Letter to The Times, (Edinburgh and London, 1847), Lectures on the Nature and Use of Money.

(3) Soc. Syst., p.xvii, (original emphasis).

(4) cf., Thompson, N.W., op.cit., p.174; Lowenthal, op.cit., p.59.

(5) Gray, Efficient Remedy, p.83.

(6) Soc. Syst., p.85. cf., Thompson, op.cit., p.175.



are commodities liable to great fluctuation in their value due to the difficulty of their reproducibility. As such, price comes to reflect the proportion between the quantity of gold and silver in the market and the quantity of goods to be represented by that money.

Money should, however, simply act as a "transferable representative of wealth, increasing and diminishing in quantity in exact and in variable proportion" with that wealth.<sup>1</sup> It should, therefore, comprise a substance destitute of value, and capable of speedy, and practically unlimited reproduction.<sup>2</sup> Bearing this in mind, Gray chooses paper as the material for his standard currency based on a labour standard of value.

Each note issued by the National Bank represents, therefore, a definite quantity of labour and skill.<sup>3</sup> Its issue is contingent upon the prior production of property of a particular value. Thus:

Money - standard bank-notes - would be merely so many transferable certificates of the existence, in the standard market of equivalent produce, actually for sale in exchange for standard notes ... Every holder of a standard note being by its possession constituted a proprietor of that portion of the standard wealth which the note should represent and would command. 4

It is important to note that the annual issues of the National Bank, represent only the productions and importations of a country - not all its business transactions, much of which is conducted upon the basis of transferring already existent property, not creating new property.

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- (1) Efficient Remedy, pp.5-6 (original emphasis).  
 (2) ibid., pp.5-6; Nat. & Use of Money, pp.291, 216, 227.  
 (3) Efficient Remedy, pp.105-6.  
 (4) Nat.& Use of Money, p.117 (original emphasis); Efficient Remedy, p.9.

The inauguration of Gray's scheme not only required the establishment of a National Bank "and a rational species of money",<sup>1</sup> but also the concurrent establishment of a National Chamber of Commerce.

Where the National Bank was concerned with the rationalisation of exchange, the Chamber of Commerce was principally concerned with the rationalisation of production. The main function of the latter was the establishment and control of an ever-increasing number of large-scale manufactories specialising in one particular area of production - usually of a non-speculative nature.<sup>2</sup> The Chamber of Commerce, administered by a board of salaried managers, was to form the principal "controlling and directing power"<sup>3</sup> of Gray's scheme, responsible for regulating both the scale and direction of all production, and capital investment, determining "where production should proceed more rapidly, where at its usual pace, and where also it should be retarded."<sup>4</sup> Each master manufacturer, or "agent", would receive directives therefore, concerning the manner in which he was to employ his talents. To each manufactory would be appointed a commissioner responsible for the implementation of chamber policy, the superintendence of production, and the employment of labour.<sup>5</sup>

On the completion of production, items would be removed to national depots or warehouses where they could be stamped with a standard insignia - in order to differentiate them from those items still under production in the commercial system - and where they could be offered for sale, wholesale.

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- (1) ibid., p.25.
  - (2) That is, principally with the production of necessities and conveniences, rather than luxuries.
  - (3) Soc. Syst., p.232. cf., Efficient Remedy p 146.
  - (4) Efficient Remedy, p.145. cf., Review of Gray's Social System, in the Edinburgh Spectator, Feb. 18, 1832; cited in Efficient Remedy, pp.144-151.
  - (5) cf., Lowenthal. op.cit... p.59.

In receipt for such goods, the agent or commissioner would obtain an equivalent amount of standard currency, signifying a "check or order upon the standard depots for the value of each man's contribution, in labour or service."<sup>1</sup>

Hitherto, Gray has concentrated on the issue of equitable, labour-based exchange. However,

The influence of the standard rules and regulations, the object of which is to fix the value of the currency, and to render production the cause of demand, terminates in the wholesale warehouses; once out of which the standard goods become the property of whomsoever may be pleased to buy them, and they may be used or appropriated in any manner whatsoever. 2.

Once goods leave the standard warehouses, their cost is no longer regulated by labour and raw materials exclusively. Rather a percentage is added "sufficient to ensure a gradual and sufficiently rapid increase of capital", and to disburse the cost of a number of incidentals and salaries.<sup>3</sup>

There is a certain amount of ambiguity surrounding this aspect of Gray's scheme, exacerbated by his somewhat peculiar explication of the normative basis for wage payment. It appears that Gray, whilst discounting the present monetary foundation of commercial society, is not opposed to its competitive element - provided currency is based on just foundations.<sup>4</sup> For example, the competitive retailing of goods lodged in the national depots is perfectly permissible, with the retailer "entitled" to whatever profit he can acquire.

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(1) Efficient Remedy, p.9.

(2) ibid., pp.45-46.

(3) Soc. Syst., p.33. cf., also Efficient Remedy, pp.94-5.

(4) Gray had, of course, initially condemned the operations of the capitalist system, precisely for this competitive element, cf., chapter 7 above, pp.

Likewise, a competitive bias is integrated into his wage scheme. The parameters for his wage theory were first set out in The Social System, in 1831. Gray is concerned to secure to the labourer the produce of his own labour.<sup>1</sup> The basic postulate of his entire thesis is that the supply of money must be commensurate with, and contingent upon, the volume of production. The major problem for his explication of wages revolves around the remuneration of the so-called non-producer.

The producer recognisable by his creation of a tangible and exchangeable corporeal product could quite simply be remunerated according to the value of his product. In this way, money wages might be rendered as "an order on the property which he has contributed to bring into existence, for the value of his own contribution".<sup>2</sup>

The non-producer, however, is identifiable by the very fact that he "does not, by his own hands, assist in the production of any commodity".<sup>3</sup> Clearly, if his services are indispensable, he naturally requires remuneration for them. The question is, according to what criteria is such remuneration determined?

The natural wage rate, far from consisting in the subsistence wage of the classical economists,<sup>4</sup> is reckoned as "the whole that is produced by labour",<sup>5</sup> subject to certain stipulated deductions, namely that portion of it which it must be ever necessary to take from them, for the purpose of remunerating a number of unproductive members of society."<sup>6</sup>

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- (1) Soc. Syst., p.236.
  - (2) Efficient Remedy, p.61 (original emphasis).
  - (3) Soc.Syst., p.242. The non-producer may still be a useful or necessary participant in the Social System. cf., Gray's position in the Lecture on Hu. Happ., however pp.11ff.
  - (4) See chapter 4, section 2(i) pp.256-268.
  - (5) Soc.Syst., pp.248-9. (Original emphasis)
  - (6) ibid., pp.169-70.

Thus, Gray calls for the establishment by government of a fixed and immutable minimum wage throughout the system of standard works. This minimum wage represents what Gray denotes the "starting-point in the race of competition".<sup>1</sup> Thus, each individual employed in the standard works will receive "so much money per week for a certain number of hours' work",<sup>2</sup> on top of which he will be able to negotiate a contracted wage with his employer.

In this way, therefore:

A well-considered Act of Parliament constituting labour the legal, as it is, and must ever continue to be, the one and only possible standard of value, would not interfere, in the slightest degree, with the principle of individual competition between man and man: professional, mechanical, or laborious. 3.

Labourers in standard factories would be remunerated out of the standard money received on deposit of their product in the national depot or warehouse. Each would receive the basic wage, plus whatever he had negotiated with his employer, the master manufacturer, who would presumably be eligible to keep whatever money remained after payment of the wage-bill. Professional and service people would be remunerated out of the incomes of those engaging them.

In the first case, additional wealth (qua property) has been generated; in the second, merely transferred.

One purpose of this minimum wage, aside from ensuring reasonable remuneration to all engaged in labour, is to provide Gray with a yardstick against which the "value of the pound"<sup>4</sup> standard may be fixed with mathematical precision and accuracy."<sup>5</sup> Gray has, as it

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(1) Nat. & Use of Money, p.260.

(2) ibid., p.261 (original emphasis).

(3) ibid., p.251 (original emphasis).

(4) The pound representing the basic unit of currency.

(5) Nat. & Use of Money, p.262 (original emphasis).

were, erected an artificially constant standard. A certain quantity of labour, calculated in man hours, will always denominate a specific, immutable value, on the basis of which the national currency is established.

For the Classical Economists the minimum acceptable wage varied according to the cost of producing subsistence upon differentially fertile soils. For Gray cost of production is entirely peripheral to the issue of a minimum wage.

Every invention which should enable a man to do today double the work he did yesterday, would halve the price of the thing produced, and - the wages of labour being fixed and immutable - consequently double its accessibility to all: 1.

One final aspect of Gray's policy should be considered briefly, and that concerns the issue of the implementation of his scheme and the question of capital.

Gray envisages the foundation of the National Bank and National Chamber of Commerce as issuing from an Act of Parliament, with similar legislation responsible for the construction of a labour standard of value, and rational system of money. <sup>2</sup>

In order to generate sufficient interest in the standard scheme, Gray believed that, as a preliminary to the foundation of this system, the public press should be encouraged to bring the problem of the defective exchange system to public attention, and to encourage the submission of proposals to deal with that problem. With public interest sufficiently awakened, government would be compelled to appoint a committee to investigate the problem and to consider the

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(1) Efficient Remedy, p.12.

(2) Nat. & Use of Money, pp.245ff.

various remedies proposed, including the Social System advocated by Gray. If this committee, acting as a kind of jury, found the Social System principles worthy of greater consideration, a select committee could be established to examine the details (Gray even offered to answer queries himself on the system<sup>1</sup>). Assuming that the scheme was approved, the next step would be the formation, by private individuals, of a nucleus of national commercial associations founded upon the principles of the Social System. The formation of this nucleus of associations is necessary on two counts: (i) to attract the optimum number of subscribers<sup>2</sup> necessary to set up a Chamber of Commerce to investigate the diffusion of the social system throughout the nation at large; and (ii) to attract sufficient people of capital to have sufficient funds to start up the scheme. Once both of these conditions were fulfilled, Government itself could be petitioned for a constitution. Gradually and inevitably through the efficient functioning of this nucleus of communities, the system would spread throughout the nation at large, and the standard capital required to set this diffusion of the system would, Gray argues, be provided by government.<sup>3</sup>

Gradually this capital - useable by all subscribers completely gratuitously - would be supplemented by an additional sum deducted from the excess of production over consumption needs.<sup>4</sup> "As fast as the associated capital should increase, either by the acquisition of new associates, or by accumulation, additional persons would be called

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(1) Soc.Syst., p.322-323.

(2) Subscribers were not necessarily men or women with capital income, merely those wishing to join this scheme - presumably, the working classes.

(3) cf., Lowenthal, op.cit., p.60.

(4) Soc. Syst., pp.169-170.

into operation under its auspices",<sup>1</sup> until all the labourers - and capital - of the nation were enveloped by the standard system. Standard capital would ultimately represent national capital - in the sense of both the entire capital of the nation, and as an asset belonging to the entire nation.<sup>2</sup>

Initially, therefore, Gray's system would be inaugurated with the involvement of a number of "associates", less than the entire population of the nation, but would ultimately extend to cover the entire population as the capital available for production accumulated sufficiently to set all to work.

Gray's mature system relies, more than any of the alternative schemes of his contemporaries, upon the rationalisation of exchange through the inauguration of an alternative, flexible labour-based currency. Whilst John Francis Bray reiterates to some degree this scheme of monetary reform, his principal interest is in creating the optimum conditions for the generation of communities of co-operation. Gray, however, is not interested in communitarianism, but rather with what appears to be a system of state socialism.<sup>3</sup> Based on the assumption that once production becomes the effective cause of demand employment will be provided for all, and the labourer will be reconciled with the maximum permissible portion of his product (with deductions for governmental expenditure, capital accumulation, and wages for non-productive workers), Gray develops a system that operates on a national level, with central control of industry and economic planning, and with a money supply tied strictly to the quantity of national produce.

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(1) ibid., p.325.

(2) Efficient Remedy, p.94.

(3) Lowenthal, op.cit., p-60.

### Conclusion

Central to this chapter was an examination of the various schemes for the reform of society developed, by the anti-Ricardians, in tandem with their theories of the just grounds of appropriation. All of the schemes discussed shared the same objective - to reconcile labour with its product. The plans outlined to foster such a reconciliation, however, were many and varied.

In section 1 we began with Hodgskin's "model" of an independent, artisanal society. Hodgskin was decidedly reticent about advancing blueprints for the reorganisation of society, and so we have no definitive picture of how Hodgskin conceived society would develop. However, after an analysis of the writings of the author, we concluded that he favoured a system based upon the existence of independent producers. In addition we noted that Hodgskin and Spencer, from similar natural rights positions, prefer different approaches to the question of the establishment of equal rights to the land, with Hodgskin advocating limited, though individual, use-rights, and Spencer, the nationalisation of land. We also concluded that Hodgskin believed in the inevitability of the appearance of such a system through the subversion of the artificial by the natural right of property. Finally, we noted that Hodgskin favoured the removal of all obstacles to the free functioning of the natural right of property.

In section 2, we moved on to communitarian schemes for the reconciliation of labour with its product. We observed that Robert Owen had been largely influential in setting the parameters for communitarian theory, and that it was his basic model of a community that formed the prototype for the development of alternative schemes in the works of Thompson and Bray. In

section (ii), we examined Thompson's variation on the theme of cooperative communities. We began by considering Thompson's understanding of the individualist/competitive system founded on security. We then demonstrated how Thompson had effectively deflated the purported advantages of this system by examining its inherent evils. We then analysed Thompson's scheme of mutual cooperation, highlighting the role of persuasion, education, and the trade union movement in the inauguration of that scheme.

In section 2(iii) we contemplated the joint-stock modification of the community system advanced by John Francis Bray. We began with an examination of Bray's scheme for community of possession, illustrating Bray's contention that this scheme would be incapable of implementation until such a point in time as men had fully internalized the ethos of cooperation and community. We then focused on Bray's joint-stock scheme, pointing out the similarities between that scheme and the later idea of Guild Socialism. Our final observation in that section concerned Bray's argument that the deficiency of currency compared to capital necessarily required the reconstruction of the monetary system upon a labour standard of value.

In section 3, we continued with this theme of currency reform and the money supply, treating the works of Owen and John Gray. Owen, we observed, believed that labour formed the only legitimate basis for value, and as such ought to form the foundation of the currency system. Thus, we observed, that he favoured a currency of labour-notes as the only means capable of rendering commensurate the money supply and the supply of capital/wealth.

In section 3(ii), we concentrated on the monetary reform scheme of John Gray. We demonstrated that underlying both his early and later works was a theory of underconsumption. We concluded that it was the problems posed by Gray's early encounter with under-consumptionist thought that formed the basic framework for the development of his more mature theory. We noted that Gray - like Owen, and Bray - favoured the restoration of a labour standard of exchange as the basis for a flexible and responsive money supply. Finally, we concluded that the reconciliation of labour with its product was contingent upon the rationalisation not only of exchange, through the inauguration of a labour-based monetary system, but also on the rationalisation of production and distribution through the development of Gray's scheme of national factories, warehouses, and boards of trade.

Conclusion.

As C.B. Macpherson observes in "Property As Means or End", the opening essay in Anthony Parel and Thomas Flanagan's edited work, Theories of Property: Aristotle to the Present,<sup>1</sup> it is possible to isolate three approaches to the study of property in political theory.<sup>2</sup> One can examine property from the perspective of the history of ideas, focusing on the treatment of property as an idea, as developed in the work of various authors throughout time; from the perspective of political philosophy, endeavouring to identify the essential characteristics of the concept of property; or, from the perspective of an analysis of the historical specificity of any conception of property as either an idea or an institution.<sup>3</sup> The first approach is exemplified, Macpherson declares, in Richard Schlatter's work, Private Property: The History of an Idea; the second in Lawrence C. Becker's book, Property Rights: The Philosophic Foundations<sup>4</sup>; and, the third approach in Macpherson's own composition, "A Political Theory of Property".<sup>5</sup> Since this dissertation is structured around a discussion of the ideas about property present in British political theory between 1750-1850, it is quite obvious that it falls squarely within the first of Macpherson's categories.

The main focus of our discussion has been on ideas about property, therefore. As we observed in the Introduction, the word "ideas" represented a deliberate choice. Some of the theorists considered in this

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- (1) Macpherson, C.B, art. cit., in Parel and Flanagan eds., op. cit., pp.3-9
- (2) Macpherson suggests a fourth approach, namely, the consideration of property as a means to an ethical end, or as an end in itself. However this approach appears to be covered by the first of the perspectives outlined above - the political theory variant - and represents the idea that various past accounts of property were underwritten by the idea of property as means or end.
- (3) Macpherson, art. cit., p.3.
- (4) Becker, op. cit., (Boston, Routledge & Kegan Paul, 1977).
- (5) Macpherson, art. cit., in Democratic Theory, Essays in Retrieval, (Oxford, Clarendon Press, 1973).

study do not develop fully-articulated or systematic accounts of property, but employ assumptions about a particular kind of property right - private or communal - or, about the nature of the prevailing system to underwrite their discussion of other topics - such as economic growth, or the conditions most conducive to production.

For those who develop "theories" of property, there is no unity as to their nature or thrust. Some, such as Hodgskin's natural rights theory, represent justificatory theories of property directed at the question of the specification of the legitimate grounds of appropriation. Some, such as the Utilitarian accounts of property, develop more teleological explanations about the nature of the property system. They endeavour to explain how a particular property structure conduces to a particular end. They are not concerned with justifying the institution of property, per se, but with demonstrating how it functions in respect of a particular objective. William Thomson's account of the principles of security and equality as the necessary conditions for a system of property designed to promote both maximum utility and maximum wealth, is an example of that species of theory. Similarly, James Mill's concern with the conditions necessary to secure that supply of effort and capital commensurate with the needs of subsistence, led him to argue that the property system most likely to promote that end was a system founded on labour-incentive. Still others develop historical accounts of the origin and evolution of property rights. Again the theory is mainly explanatory. Smith's account of the nature, origin, and development of property within the framework of a conjectural picture of history constructed about

the four-stages theorem represents the best example of this species of theory.

It is interesting to observe that during the period under study, all those theses concerned to criticise the prevailing socio-political and economic structure of society were largely, though not exclusively, justificatory theories; whilst those concerned to defend the status quo were primarily explanatory. One explanation for this apparent bifurcation of the material is that those propounding system-critical material needed to establish that the existing basis of property distribution was, in fact, illegitimate. Clearly, the best way to do this is to demonstrate how property arises legitimately, that is, to adumbrate the just principles of appropriation, and then to employ this "justificatory" theory as a yardstick against which to assess the workings of the prevailing system. Similarly, those prepared to countenance the prevailing property system have no real motive to demonstrate that the foundations of the system are legitimate. They can simply assume legitimacy and work therefrom, as the classical economists do (par excellence) in their empirical theory of distribution. Obviously it is possible to find theories providing justificatory accounts of property formation which are system-supportive, vide Locke's Two Treatises, and explanatory accounts employed to critical ends, vide Thompson's Inquiry.

In this dissertation we have not only been concerned with illuminating the kind of ideas about property current during the period in question, but, more particularly, the relationship of those ideas to a number of themes, namely, labour and value theories, and the distribution of wealth between classes. The links that may be established between "labour" and property are many and varied. Traditionally, accounts of this relationship have been

viewed in either "instrumental" or "expressivist" terms (or a combination of both). Our study has focused - more by accident than design - upon "instrumental" theses - that is, theses which regard the activity of labouring as fundamental to the satisfaction of human needs, with labouring viewed most normally as a disutility. Expressivist theories - theories purporting that the activity of labouring is basic to self-expression or self-development, such as Hegel's view of property as the objectification of the self - were largely absent from the British literature of the period.

The main contribution of this thesis to the current debate on the history of the idea of property resides not, however, in its examination of the connections between labour and property, but in its endeavour to explicate the links between (labour) value and distribution. Most accounts of property pay only cursory reference, if at all, to the classical economists. Distribution theory is largely excluded from studies dealing with ideas about property. Although it has to be acknowledged that a theory purporting to explain the way in which the returns to economic factors are determined may not satisfy the basic criteria of a justificatory account of property, consideration of such a theory cannot be discounted out of hand. Firstly, distribution theory focuses on how the wealth of a nation is shared out amongst the population. Given that most property theorists frequently identify property with wealth (although not exclusively), this per se, does not invalidate the claim that distribution theory should be included in studies of the idea of property. Secondly, whilst a theory of distribution is a largely empirical concern, dealing with how the rates of factorial return are calculated, it is also, ipso facto, a theory based on certain assumptions about the property system. As we observed in our Introduction

an explanation of the workings of industrial capitalism (at this time) presupposes a certain conception of the nature and function of property rights. The system is viewed as grounded in an individualistic, and exclusive right of private property. The idea that the right of property includes the right to use that property as one sees fit, implies the right to use property to earn profit or rent. Together these notions suggest the legitimacy of inequality of wealth. In one way, therefore, a theory of distribution may be viewed as an explanatory theory of property.

A prevalent claim has been that from Adam Smith on, the classical economists developed the embryonic theory of value postulated by John Locke, and assumed, as data, the basic proprietary assumption of Locke that labour creates a title to property. However, it was our intention, in this dissertation, to show that such an hypothesis was, in fact, mistaken, rather, we argued, it was the value theory of Smith that gave impetus to the theory of value of the classical economists and the Utilitarian concern with security and equality that underwrote the classical economists' theory of distribution (and growth). Thus, in chapter 1 we established that Smith's account of property was not a justifiatory account a la Locke, but an historical account deployed within the analytical framework of the four-stages thesis, formulated not as Ronald Meek claimed as a theory of development, but as a typological model. The universally legitimising feature within Smith's account was not the fact of labour-expenditure, but the theory of the impartial spectator and the concept of sympathy. Property was validated then, only when the sympathy of the spectator could be aroused, with the conditions upon which that sympathy was founded varying (potentially) from stage to stage. Smith does not posit a universally operative paradigm of appropriation.

In chapter 2 we continued our analysis of the ideas of Smith in relation to his "economics" focusing on both value and distribution. We observed that Smith advanced three "theories" of value: a simple "labour-cost" account of value formation in primitive societies; an "adding-up" hypothesis of value regulation after the accumulation of capital, and the appropriation of land had taken place; and a "labour-command" theory of value measurement. In addition, vis-a-vis Smith's account of distribution we noted that Smith's theory of wages represented simply a digest of various (potentially) incompatible approaches, including elements from productive theory, bargaining theory, subsistence theory, the wage-fund theory, and the idea of wages as the residue remaining after the deduction of profit and rent. We also observed that his account of profit was dominated by two ideas, profit as "addition" and profit as "deduction" - which ideas had interesting ramifications both for the Ricardian theory of profit, and the anti-Ricardian's account of exploitation. Finally, we noted that a dichotomy existed in Smith's theory of rent, between rent as price-determined, and rent as price-determining.

As we noted earlier, it has been conjectured that the embryonic theory of value presented by Locke provided the starting point for the classical economists. In chapter 3, we concluded that the Lockean account of value was a causal account of value formation, concerned with the source of value, and not an explanatory account of value regulation, concerned with the principles determining the exchange rate. It was noted that the labour theory advanced by the classics was, by contrast, an explanatory theory. We also demonstrated in this chapter that it was the inconsistencies and ambiguities within Smithian value theory that prompted the classical economists (on our restricted

definition) to formulate their own explanations of value determination. Thus, Ricardo denies the historical specificity of Smith's labour-cost model, universalising it into an account of value regulation throughout time, whilst Malthus (for example) develops the labour command explication of value measurement.

In chapter 4 we turned to the classical account of distribution. Here it was shown, firstly, that it was the account of distribution adumbrated by Smith that provided that starting-point (and basic material in many instances) for the classical theory of distribution. Thus, for example, the classics built on and developed the subsistence theory and wage-fund theory suggested by Smith's plethora of approaches. Similarly, it was Smith's definition of profit that was employed by the classical economists. Although Smith was influential in this sphere, however, we also noted the innovative aspects of classical distribution theory.

In chapter 5, following our exposition of the Utilitarian accounts of property enunciated by Jeremy Bentham and James Mill, we considered the ideas about property underlying the works of the political economists, represented in this instance by J.R. McCulloch and Thomas Malthus. We concluded that with the one exception of the Lockean idea that a man has a property in his person, recast as the argument that every individual has the right to direct his own labour (Smith's "patrimony of the poor man"), the basic proprietary notion of the classics was the notion of "security of property" as a pre-requisite to both continued production, and growth. In other words, the biggest incentive to labour (both of the worker and the capitalist) was security of property. This echoes directly the pronouncements

of both Bentham - the "disappointment-prevention principle" - and James Mill - "insuring to every man the greatest possible quantity of the produce of his labour".<sup>1</sup>

Further support for this claim that Lockean notions of property do not inform the classical political economists' conception - of property, can be found in the argument presented in chapter 3, that McCulloch (and later Mill), by denying to human labour any special status - through the extension of the concept of labour to cover all species of productive activity - effectively divest it of the appropriative content implied in the Lockean scheme. For it was central to the labour theory of entitlement developed by Locke (and later rehearsed by Hodgskin) that the human activity of labouring was regarded as distinctive - not only since labour was alone seen to generate a title to property, but also since labour alone could bestow value on objects. Thus, in the case of maturing wine, the classical economists ascribe the additional value to the capitalist, whereas a proponent of the labour theory of individuation would normally want to ascribe that value to the labourer.<sup>2</sup>

In the final three chapters of this study we examined the works of the anti-Ricardians. Our justification for denominating these authors anti-Ricardians was founded upon two claims: first, that to call them "Ricardian Socialists" was to place the main emphasis in the derivation of their ideas upon Ricardo, which we argued was mistaken. Rather the genealogy of anti-Ricardian ideas suggests Smith as a more likely candidate. Secondly, to

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(1) Mill, 'Essay on Government', p.57.

(2) Difficulties often arise for the labour theory of property when division of labour, and different economic classes emerge.

label all the writers normally classified as "Ricardian Socialists" as "Socialists", we concluded, was also erroneous, since that suggested a potential uniformity in approach belied in practice.

We observed earlier that the links between labour and property have been differently posited by different theorists, and this is nowhere better exemplified than in the works of the anti-Ricardians. Hodgskin, as we demonstrated in chapter 6, formulates a natural rights account of property à la Locke; both John Gray and John Francis Bray enunciate (as observed in chapter 7) theories of property based on an instrumental argument from equality (or equal rights); whilst William Thompson espouses an egalitarian version of the argument from equality. All of them, however, argue that property should be secured to labour - by which they mean exclusively the labour of the producer. These theories, once formulated, provided the anti-Ricardians with a critical tool with which to assess the workings of the prevailing system of property. This, they concluded, defrauded the labourer. The labourer was, it appeared, being exploited. Whilst some authors have attempted to identify pre-Marxian notions of surplus value in the writings of the anti-Ricardians, it was our conclusion that "exploitation" (in the simple sense of denial to the labourer of the fruits of his industry) was located in the sphere of exchange. Thus, the anti-Ricardians not only identified the prevailing property structure as responsible for exploiting labour, but also the exchange mechanism. This contrasts with the view of the classical economists that the prevailing system of both property and exchange was actually securing the harmonisation of labour with capital.

The final chapter of this thesis was, in many ways, the most descriptive, concentrating upon the plans devised by the anti-Ricardians for the reconciliation of labour with its product and to restore the labour standard of value. These ranged from the individualistic artisanal account of Hodgskin, through the communitarian schemes of Owen, Thompson and Bray, to the monetary reform schemes of Owen and Gray. Whilst the schemes vary, the main purpose is the same - to ensure that those who do not labour<sup>1</sup> are not entitled to a share in the national product. In other words, to establish distribution on a just and equalitarian basis. The question of ensuring to labour its just desert, and the problem of how the prevailing system actually militated against that was a recurrent theme in the period after 1850. Thus Marx and Engels saw the abolition of private property, and the destruction of capitalism as fundamental to the claims of labour, whilst Herbert Spencer, regarded land nationalisation as basic to the individual right of private property.

Throughout this dissertation we have encountered a number of different hypotheses about property, some fully-developed theories, such as the Utilitarianism of Bentham, Mill and Thompson, the equal rights theses of Gray and Bray, and the natural rights theory of Hodgskin; others, simply assumptions about the validity of the prevailing system. In all these concerns, whether individually, in pairs, or all three in combination, the themes of labour, value, and distribution have recurred.

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(1) With the exception of the old, young and disabled.

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