THE POST-RICARDIAN DISSENSION: A CASE-STUDY IN ECONOMICS AND IDEOLOGY

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That the roots of early British socialism can be traced to Ricardo is an important theme in Marxist historiography. The writings of Piercy Ravenstone and Thomas Hodgskin—among other opponents of “bourgeois” political economy—were said by Marx to “derive from the Ricardian form” and Marx discussed “the opposition evoked by the Ricardian theory.”

The derivation in question was a complex one, entailing adoption and development of Ricardian value theory rid, however, of any allowances for the independent productivity of capital. The champions of the proletariat “seize[d] on this contradiction, for which they found the theoretical grounds already prepared. Labour is the sole source of exchange value and the only active creator of use-value. This is what you say. On the other hand, you say that capital is everything, and the worker is nothing or a mere production cost of capital. You have refuted yourselves. Capital is nothing but defrauding of the worker. Labour is everything. This, in fact, is the ultimate meaning of all the writings which defend the interests of the proletariat from the Ricardian stand-point basing themselves on his assumptions.”

As one example, Thomas Hodgskin’s insistence upon the non-productivity of capital was the “inevitable consequence of Ricardo’s presentation.” What was involved, according to Marx, is a kind of inversion of the Ricardian analysis.

There is a second closely related feature of Marx’s reading of the record.

It is that the “bourgeois” reaction against Ricardo—the so-called “dissenting” literature of the 1830s and 1840s—must be understood as a reaction to the use made of Ricardian doctrine by the labour writers. What is referred to as “vulgar” political economy “only becomes widespread,” Marx wrote, “when political economy itself has, as a result of its analysis, undermined and impaired its own premises and consequently the opposition to political economy has come into being in more or less economic, utopian, critical and revolutionary forms. Ricardo and the further advance of political economy caused by him provide new nourishment for the vulgar economist.... The more economic theory is perfected, that is, the deeper it penetrates its subject-matter and the more it develops as a contradictory system, the more it is confronted by its own, increasingly independent, vulgar element, enriched with material which it dresses up in its own way until finally it finds its most apt expression in academically syncretic and unprincipled eclectic compilations.” Furthermore, “vulgar political economy deliberately becomes increasingly apologetic and makes strenuous attempts to talk out of existence the ideas which contain the contradictions—contradictions, which were ‘in the process of being worked out in socialism and the struggles of the time.’” It is precisely this reading of the record that re-appears in the famous Afterword to the second German edition of Capital where Ricardo is portrayed as the “last great representative of political economy” and the year 1830 as the watershed between “scientific” and “apologetic” economics: “In France and in England the bourgeoisie had conquered political power. Thenceforth, the class-struggle, practically as well as theoretically, took on more and more outspoken and threatening forms. It sounded the knell of scientific bourgeois economy. It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested inquiries, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and evil intent of apologetic.”

* I am much indebted to Professor R. D. C. Black for helpful comments. *Theories of Surplus Value, III (Moscow, 1971), 238, 258.

* Ibid., 260.

*Ibid., 264. That the roots of British socialism are to be traced to Ricardo’s economics was later urged in Anton Menger’s The Whole of the Whole Produce of Labour; and by H. S. Foxwell in his Introduction to that work: “Whatever qualifications Ricardo may have made... in his own mind, ninety-nine readers out of a hundred took him literally, and the main impression left by his book was that while wealth was almost exclusively due to labour, it was mainly absorbed by rent and other payments to the unproductive classes.” (H. S. Foxwell, “Introduction” to Anton Menger, The Whole of the Whole Produce of Labour (London, 1899), xiii.)

There is an extensive literature adopting this perspective. Eile Halévy, Thomas Hodgskin, ed., A. J. Taylor (London, 1956), 180–1 emphasizes the opposition of the socialists to the Ricardians, but at the same time insists upon their dependency on Ricardo’s value theory: “the democratic opponents of James Mill and McCulloch, the first working-class theorists, instead of attacking the Ricardian theory of value seized upon it principles to draw from it new conclusions and to refuse, by a form of reductio ad absurdum, Ricardo’s political economy.” See also The Growth of Philose Radicalism (London, 1928; Boston, 1955), 223–4; William Thompson (and Hodgskin) “drew inspiration” from Ricardo.

Similarly, G. D. H. Cole refers to Hodgskin’s work as the “working-class answer” to Malthus and Ricardo, and to his “critique of the orthodox economics of Ricardo and his school.” (See his Introduction to Thomas Hodgskin, Labour Defended Against the Claims of Capital London, 1922; N.Y., 1963, 10–1.) But he also writes, regarding both Hodgskin and Thompson of their the deductions from Ricardo’s assumptions” and their “inversion of the Ricardian economic system.... As Hodgskin argues in his book, if it is admitted—that Ricardo admits it—that labour is the source of all value, then clearly all value belongs to the labourer, who should receive the whole product of his work.” (Ibid., 12) See also Cole, A History of Socialist Thought (London, 1962), 1, 106.

Max Beer, A History of British Socialism (London, 1929), I, 154 draws the relationship in these terms: “But at the same time the socialists appeared and began to make use of the Ricardian theory of value as a weapon against the middle classes and to teach Labour that not the Tory landowner but the Liberal capitalist was their real enemy. Ricardo made labour the corner-stone of his system and yet he permitted the capitalist to appropriate accumulated labour and to decide the fate of the working classes.”

* Theories of Surplus Value, III, 501.

* Afterword to the second German edition (1873) of Capital, vol. I (Moscow, 1965), 15. See also Marx’s rough draft notes of 1857, Grundrisse: Foundations of the Critique of Political Economy (Engel, 1970), 351. 4 The “inversion of the Ricardian economic system..." as Hodgskin argues in his book, if it is admitted—that Ricardo admits it—that labour is the source of all value, then clearly all value belongs to the labourer, who should receive the whole product of his work.” (Ibid., 12) See also Cole, A History of Socialist Thought (London, 1962), 1, 106.
Marx's reading of the motivation behind the dissenting literature was accepted by Professor Meek in his well-known analysis of "the decline of Ricardian economics in England." To explain "the strength, vigour and virtual universality of the early reaction against Ricardo" resort had to be made "above all... to the fact that a number of elements in his system seemed to set limits to the prospects of uninterrupted and harmonious progress under capitalism. In particular, the work of the Ricardian socialists revealed certain disharmonies and pessimistic implications of Ricardo's system so forcibly that the economists of the day could hardly avoid being influenced by them in the course of their evaluation of Ricardo." Similarly, "the majority of economists were very much aware of the dangerous use to which a number of radical writers were putting certain Ricardian concepts." As far as concerns the theoretical core of Ricardianism the "concepts of value as embodied labour and profit as a kind of surplus value, which had proved so useful to the radicals, were among the first to be amended or rejected: value began to be conceived in terms of utility or cost of production, or sometimes (as with Samuel Bailey) as little more than a mere relation, and profit came to be explained not as the result of something which the labourer did but as the result of and reward for something which either the capitalist or his capital did." 8

I propose to treat the Marxian interpretation of the dissent in theory as an hypothesis to be evaluated against the evidence. 8 Because of the complexity of the issues involved it will be helpful to summarise my conclusions at the outset.

It was Marx's position, we have seen, that the socialist writers of the 1820s drew upon Ricardo's value theory to reach their conclusions regarding labour's right to the whole produce but rejected those elements of the Ricardian structure which allowed a positive role to capital. Now the record suggests that the first part of the argument—at least as far as concerns the works of Piercy Ravenstone, William Thompson, and Thomas Hodgskin, the best known of the labour writers of the decade in question—cannot be substantiated at all. No use whatsoever was made of Ricardo's labour theory. 9 Hodgskin (unlike the others) did, however, make use of other aspects of the doctrine—the inverse profit-wage relation, the subsistence wage and the differential rent conception. But his usage, I shall show, was an ironical one; he himself was unconvinced by their merit. There is more to the second strand to Marx's case—the socialist critique of the positive role attributed to capital by Ricardo. Yet Marx understates the strength of the "socialist" objections. The fact is that it is difficult to imagine a stronger critic of Ricardianism than Hodgskin. He condemned it as an apologia for the institutional status quo—a defence of the capitalist as well as the landlord; he read it as providing a justification for the contemporary distribution of income; on his reading it failed to bring to light class conflict; and he rejected its pessimistic underpinnings even as characteristic of contemporary society. Hodgskin's opposition is quite evident despite the formal use that he made on occasion of aspects of Ricardian theory.

The vehement anti-Ricardianism of the labour writers—particularly Hodgskin—makes it very difficult to believe that the dissenters could have reacted against a dangerous use of the orthodox doctrine for socialistic ends. We must, of course, rely entirely upon circumstantial evidence, particularly in the light of passages which, taken in isolation, indicate a reliance on certain Ricardian conceptions (though positively not Ricardian value theory). It is always possible that the dissenters failed to recognise the

9 For an effective demonstration that, on the matter of value, "Hodgskin was decidedly hostile to Ricardo," see E. K. Hunt, "Value Theory in the Writings of the Classical Economists, Thomas Hodgskin, and Karl Marx," History of Political Economy, IX, Fall, 1977, 322-45. Cf. the evidence presented by Professor P. H. Douglas which demonstrates that the impetus to early nineteenth-century British socialism deriving from the conception of profits and rent as "deductions from the whole produce of labour" came from the writings of Adam Smith rather than those of Ricardo. ("Smith's Theory of Value and Distribution," in J. M. Clark, et al., Adam Smith, 1776-1926 (Chicago, 1928), 95).

A similar account is given by Mark Blaug, Ricardian Economics (New Haven, 1958) 148. But see ibid., 143: "Unlike Gray and Thompson, who show no signs of having read Ricardo, Hodgskin derived his exploitation theory of profit directly from Ricardo's version of the labor theory of value."

In her well-known monograph on the subject Esther Lonsenthal questioned the legitimacy of the designation "Ricardian" socialists, "although... the socialist use of the labor theory followed hard on the publication of Ricardo's Principles, it is no evidence that the socialists were particularly impressed by his teachings. They all of them quote Adam Smith as their authority for the labor theory of value... and only Hodgskin betrays an intimate knowledge of Ricardo's work." (The Ricardian Socialists (New York, 1911), 103 in Columbia University Studies in History, Economics and Public Law, vol. XLVI) But she also asserted that Hodgskin "attacks the claims of capital on the basis of the labor theory of value" and "bases very explicitly on Ricardo's system of economics" his position that "since labor produces all value, labor should obtain all value" (ibid., 72, 74-5).

See also J. A. Schumpeter, History of Economic Analysis (New York, 1954), 479, regarding the notion that labour is the only factor of production: "Though this proposition harks back to Locke and Smith and not to Ricardo, it is likely that the Ricardian theory of value did encourage these socialist writers and also offered suggestions to them."
hostility towards Ricardian doctrine on the part of the labour writers. I can, however, find no evidence that any link was defined such as that specified by the Marxist historians. For example, the fallacious position that labour is responsible for all wealth was attributed by Samuel Read to Ricardo, Smith and Hodgskin. But while Smith was treated less harshly than either Hodgskin or Ricardo no relationship whatsoever is drawn between the latter two, who are treated apart. G. Poulet Scrope included Malthus in his list of culprits as well as Smith, Ricardo, and Hodgskin. Richard Whately directed his critical attention at McCulloch and James Mill for their reduction of capital to accumulated labour and their opinion that “time is a mere word,” but neither he nor Scrope linked the socialists with Ricardian theory. And Mountifort Longfield, who may have alluded to Hodgskin, does not suggest any such connection. To the extent that these dissenters believed Ricardo’s analysis of value, particularly as interpreted by McCulloch and James Mill, justified the notion of interest as an “exploitation” income, their objections did not follow from any dangerous use which they believed the socialists were making of Ricardian theory. The notion of class hostility, supposedly engendered by Ricardo’s theory, providing a handle for the anarchists was, however, a central complaint of one of the most faithful of Ricardo’s followers—Thomas De Quincey. It becomes even more difficult to argue that the theoretical opposition to Ricardo of the 1830s can be somehow related to the dangerous use which the socialists were making of Ricardian economics.

I come now to a feature of the record that, at first sight, may seem an extraordinary paradox. Scrope—the first of the abstinençe writers—was fundamentally opposed to Ricardianism because that doctrine, he believed, lent itself to social apologetics and this, in part, because of its neglect of the implications for social welfare of unequal distribution. Scrope was a reformer who saw in orthodox doctrine a rock against which proposals for social improvement must inevitably be destroyed.11 The parallels between Scrope and, for example, William Thompson regarding their attitudes to Ricardo are quite remarkable. To this extent Marx’s interpretation seems to be the exact reverse of the actual course of events.

My reading also has clear implications for an interpretation of the bourgeois dissent subtly different from that which turned on the use made of Ricardo’s theory by the labour writers. It is the argument, sometimes offered as an alternative and sometimes as an additional consideration, that the bourgeois economists found the Ricardian doctrine unable to serve as a convincing reply—an apologetic reply—to the labour writers. As Meek formulated the proposition: Scrope, Read and Longfield “tended towards the idea that if a doctrine ‘inculcated pernicious principles,’ if it denied that wealth under free competition was consigned to its ‘proper’ owners, or if it could be so interpreted as to impugn the motives or capacity of the Almighty, then that doctrine must necessarily be false.”

Now in considering this matter we must ask to what end did the dissenters seek to reply to the labour writers. It was positively not to the end of justifying contemporary capitalism as is implied by the hypothesis. Provided this fundamental correction of the record is recognized it may be allowed that several major dissenters expressed their dissatisfaction with specific aspects of Ricardianism, particularly its supposed implications regarding class conflict and its supposed “pessimism.”

We have not, however, reached the end of this tortuous journey. Allowance must also be made for the fact that Longfield cannot be classified as a thorough-going opponent of Ricardo. He retained enough of the Ricardian framework for it to be more accurate to say that he actually used the orthodox doctrine in making his reply to the radicals, and this he did partly by interpreting it in a manner which avoided the criticism that it portrayed a picture of class warfare, and partly by his analytical innovations.

11 While Professor Hunt has demonstrated Hodgskin’s reaction against Ricardian value theory (see previous note), he nonetheless accepts Meek’s general position regarding the motive for the bourgeois reaction on the grounds that “most of Hodgskin’s contemporaries…were quick to recognize that Ricardo’s labor theory of value led quite naturally to Hodgskin’s theory of capital. And this undoubtedly contributed to the conservative reaction of the 1820’s against Ricardo’s value theory.” (“Value Theory in the Writings of the Classical Economists, Thomas Hodgskin, and Karl Marx,” 345.)
12 Economics and Ideology, 71. (For further details of this argument as it is applied to Scrope, see below, p. 396.) See also Mark Blaug, Ricardian Economics 149; L. S. Moss, “Isaac Butt and the Early Development of the Marginal Utility Theory of Imputation”, History of Political Economy, V, Fall 1973, 325; and M. Dobb, Theories of Value and Distribution Since Adam Smith (Cambridge, 1973) 110.
13 The economists sometimes had to prove their moral and religious bona fides and reconcile economics with Christianity to gain entry into the Universities. See L. S. Moss, Mountifort Longfield: Ireland’s First Professor of Political Economy (Ottawa, Illinois, 1976) 14-5. Also S. G. Cheekland, “The Advent of Academic Economics in England”, The Manchester School of Economic and Social Studies, XIX, Jan. 1951, 52. But it should be noted that the labour writers expressed themselves in much the same language. Rejecting the Malthusian principle, Hodgskin proclaimed that “moral feelings and scientific truth must always be in harmony with each other.” Popular Political Economy (London, 1827), xxii-xxii. This book ends on the same theme: “…the science of Political Economy…will be found when perfectly known…to justify the ways of God to man” (ibid., 268). And Ravenstone rejected Malthusianism because he cast doubt on the “veneration of the divine nature”. Population and Political Economy (London, 1821), 17.
I. Thomas Hodgskin as critic of Ricardianism

Limited space obliges me to devote my attention in this section to Thomas Hodgskin, although it can be shown that the hostility towards the Ricardians is apparent also in the works of Ravenstone and Thompson. But, in any event, for my main purpose in this paper—the motivation for the bourgeois dissension—Hodgskin must be the primary concern because his works were particularly well known to the bourgeois dissenters.

Hodgskin’s hostility towards Ricardo and the Ricardians is apparent both in his correspondence and in his pamphlets. For our purposes, Hodgskin’s correspondence cannot be given the same weighting as the pamphlets of 1825 and 1827. A brief account of his position as it appears in his early letters will, however, set the stage. It is also clear from his reviews for the *Economist* of the 1840s and 1850s that his criticisms of Ricardo remained largely unchanged with the passage of time.14

A general statement of position with special reference to Hodgskin’s objections to Ricardo will be found in a letter to Francis Place of May 1820 discussing a plan of work submitted to Place a short while earlier.15 Here he refers frankly to his own “prejudiced” objections to Ricardo before turning to technical matters. It is the pessimism engendered by Ricardian conceptions and their justification of the *status quo* to which he objected: “I have... no hesitation in saying that I dislike Ricardo’s opinions because they go to justify the present political situation of society, and to set bounds to our hopes of future improvement.”16

First, on Ricardianism as a defence of the existing social structure Hodgskin made the following observation:

They have the first effect by justifying our great Land-Leviathans in their enormous exactions. Wealth is but another name for political power, and with an aristocracy of Land-lords such as at present exists anything like democracy is impossible. We are all subjects of Nature, and we can only be either happy or


16 *Ibid.*, 67. Cf. also an unpublished paper by Hodgskin (“On the Moral Influence of an increase in the number of Mankind”) cited *ibid.*, 61-2, wherein the advantages of a large and growing population are outlined: “other things being equal, knowledge and ingenuity and of course the means to produce food must be great in proportion as the numbers of mankind are great, and they must increase as mankind increases in numbers.” Hodgskin refers also to an “increase in morality owing to an increase of population,” for “collision rubs down and tames passions. The weight of the mass gives force to their opinions which subdues the will of every individual.” The same conception is apparent in Hodgskin’s *The Natural and Artificial Right of Property Contrasted* (London, 1832), 40: “As mankind are multiplied, the moral influence of the mass increases over individuals, and each one, feeling the impossibility of resisting a great many, is humbly submissive to the general voice, and therefore prone to respect that right of property, which is acknowledged by all.”

great by obeying her laws. And if Rent, such as it at present exists, be according to Mr. Ricardo the natural result of the progress of Society, then every attempt to rid us of the control of a wealthy aristocracy must be ultimately unsuccessful and in its progress mischievous. I am a *democrat*. Mr. Ricardo’s doctrines are the strongest support I know, as far as reasoning goes, to aristocracy, and therefore I dislike them. This is the source of one of my prejudices against them which I thus honestly and openly confess.17

Hodgskin had some particularly strong words for Ricardo’s Preface: “The two first sentences of the book are radically false. The circumstances there ascribed will undoubtedly have a wonderful influence on the whole quantity of produce, but the manner in which it is distributed will depend entirely and exclusively on political regulations. No circumstances of *soil, capital* nor *ingenious* will ever make the distribution of wealth the same in the United States of America in which slavery is unknown [sic] and in our Empire of India.”18

Secondly, regarding the “pessimism” engendered by Ricardo, Hodgskin wrote in the following strong terms:

Mr. R’s opinions set bounds to our hopes for the future progress of mankind in a more definite manner even than the opinions of Mr. Malthus. It is, namely, Mr. Ricardo’s opinion that the rate of all profit is ultimately determined by the rate of profit gained by capital employed on land, that this is constantly diminishing by a necessity for having recourse to poorer soils, and that there is a point, limited by the natural interest of capital and from which most European societies are not far removed, at which improvement must stop. I have always supposed from the progress men have hitherto made that it is impossible for us to limit their future progress. Mr. R’s doctrines do this exactly and they do it on natural grounds, and because they are thus opposed to this other prejudice of mine, I dislike them very much.19

Hodgskin did not in fact deny that there existed at any time a differential rent between good and poor soils, or indeed “that the necessity of having recourse to these worse soils has increased rent in modern times,” especially during the preceding fifty years. His objections—which drew in part upon Smith—were to the implied notion of the origin of rent in Ricardo’s account; to Ricardo’s exaggerated emphasis on a single and relatively unimportant aspect of the rent phenomenon; and, it would appear, to the conception of no-rent land at the margin of cultivation. Moreover, the notion of the “original and indestructible powers” of the soil is rejected as meaningless “independent of human labour”; and even that of “poor” and

17 *Thomas Hodgskin*, 67; cf. *ibid.*, 77: Ricardo “supposes the present rents, except in so far as they are increased by our own restrictions on importation of corn, as the natural and just ones.”

18 *Ibid.*, 78. Much of this bears a family resemblance to the position adopted by the “historiographer” Richard Jones in his *Essay on the Distribution of Wealth* a decade or so later.

“good” soil is questioned on the grounds that “what are now called the very worst soils may, by some improvements or alterations in the mode of agriculture, be made as productive as what are now called the best.”

Hodgskin drew upon Hume, Robertson, Millar, Kames and Smith to support the position that a slave system originally existed throughout Europe; in such origins he envisaged the basis for contemporary rent and wage payments, both of which could only be appreciated in historical terms. His entire intellectual perspective rendered Ricardian procedures alien. And although he observed that Ricardo “found labour rewarded in our society as if the labourer were a slave,” he characteristically objected to the supposed implicit presumption that this constituted “his natural condition” rather than (using Halévy’s term) “a servile custom perpetuated by the laws of men.” What concerned him was the belief that political economy confused artificial institutions with a natural social order and tended in consequence to justify the contemporary distributive arrangements.

I turn next to Hodgskin’s position on value. Here too he was critical of Ricardo and adopted a position closer to that of Adam Smith. His main point is that rent and profits enhance prices to the labourer in his capacity as consumer:

If Mr. R.’s account of the origin of rent be true and it never amounts to more than the difference between the produce of good and bad land, then Rent can never enhance Price . . . . If the origin which I have ascribed to Rent be correct, it enhances the price of every thing . . . .

Mr. R. has involved this part of the subject in considerable confusion by supposing the buyers or the community who pay prices are different from the three great classes, to wit landlords, capitalists and labourers, among whom he divides the produce of the earth . . . . 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 has shared with the lord, he must double, treble and in the present day must multiply his labour manifold to obtain it. Rent, therefore, enhances price, by the whole of amount of Rent. Profit, being in like manner a diminution to the labourer of the value of his produce, enhances the price of everything into which it enters to the labourer. It is in this sense in which A. Smith says rent and profit enhance price.

and considers the whole produce to be divided into these and wages or among the three classes mentioned. No truth in the whole course of reason was ever more self-evident. It is abundantly clear that rent and profit cannot enhance the quantity of labour necessary to obtain any commodity from nature, but they enhance its price to the labourer by their whole sum.

On these grounds Hodgskin complained of the “want of an accurate distinction between natural price and exchangeable value” on Ricardo’s part:

Natural price is measured by the quantity of labour necessary to produce any commodity: its exchangeable value, or what another will give or is obliged to give for this commodity when produced, may or may not be equal to the quantity of labour employed in its production. Mr. Ricardo has, I think, made a mistake by supposing these two things to be equal. They are not, or the wages of labour would always be equal to the produce of labour . . . .

Hodgskin thus objected to Ricardo’s measure of cost price in terms of labour embodied on the grounds that it failed to express the exploitative nature of the returns to land and capital—that they constitute “a diminution to the labourer of the value of this product.” In this respect, he believed, Smith had succeeded by adopting what today is referred to as an “adding-up-components theory” of price.

In an earlier letter to Place of September 1818 Hodgskin, who had just read McCulloch’s famous Edinburgh Review article on the Principles, but not the Principles itself, took Ricardo to task to similar effect: “I see no natural cause either why capital which is merely the saving of labour and which of itself produces nothing should be considered as affecting real price—if that is always to be considered as accurately measured by the quantity of labour . . . . Its profits are merely a portion of the produce of labour which the capitalist, without any other rights than what laws give him, takes to himself.” This was his first reaction—before he had read the Principles itself. At most it can formally be said with Halévy that “he had seen what he could take from Ricardo’s theories and on what points he would go at variance with him.” But all he took from McCulloch’s compte rendu was the labour measure of “real value”; his general reaction was clearly a negative one from the outset. After reading the original text his hostility hardened, as we have seen, into a specific charge that Ricardo’s formulation—unlike Smith’s—failed to bring to the fore the exploitative nature

20 Ibid., 68–9. Hodgskin also rejected the conception of declining profits in a growing economy, having faith in the potency of technical improvements—improvements which increased the productivity of capital (ibid., 75–7).
21 Ibid., 70–1: “Here there are three facts connected with one another of great importance as to that sum at present paid under the name of Rent. 1st: The soil of Europe was formerly cultivated by slaves, a great portion of whose produce went to their employers or landlords; 2nd: Such classes of men have always been found in European society; and 3rd: The wages of labour are at present and have always been in Europe determined by the reward formerly given to slaves. 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 . . . . That money Rents are merely a commutation for personal services or derived from them I hold to be certain.”
22 Ibid., 72–3, 64.
23 Ibid., 72f.
24 Ibid., 74–5.
25 It was an error with widespread consequences: “There is . . . a great difference between real natural price and exchangeable value, and by not attending to this Mr. R. has been led into—I think—great mistakes relative to the decrease of profit in an improving state of society.”
26 Ibid., 40.
27 Ibid.
of profits. On one point alone did he express approval, namely on Ricardo's "explanation of the manner in which fixed-capital tends to lower the prices of all commodities into which it enters"; this he held to be "the best and only good part of his book." His general reaction to Ricardian theoretical procedures was as hostile as that of any "dissenter": "I think I never saw a book more destitute of facts than Mr. R's, which, at the same time, has had so much weight. To me it appears to rest entirely on arbitrary definitions and strange assumptions . . . I may have read this book prejudiced against it. I believe I have; but, after making every allowance for my prejudices, it does appear to be built on no sort of facts, to contradict many and to have little more merit than a 'bewildering subtlety.'"

The main "positive" aspect of Labour Defended Against the Claims of Capital turns upon a rejection of the conception of "advance" economics; the adoption of time-consuming processes did not require the actual provision of stocks of accumulated capital goods. The emphasis is placed upon synchronized activity, and the entire notion of an annual production period abandoned: "It is this assurance, this knowledge, this confidence of obtaining subsistence and reward, which enables and induces men to undertake long and complicated operations, and the question is, do men derive this assurance from a stock of goods already provided (saved from the produce of previous labour) and ready to pay them, or from any other source?" The answer is in the negative: "Those who undertake [processes extending beyond a year] must rely . . . not on any commodities already created, but that other men will labour and produce what they are to subsist on till their own products are completed. Thus should the labourer admit that some accumulation of circulating capital is necessary for operations terminated within the year—and I have shown how very limited that admission ought to be, if made at all—it is plain that in all operations which extend beyond a year the labourer does not, and he cannot, rely on accumulated capital." In brief: "If we duly consider the number and importance of those wealth-producing operations which are not completed within the year, and the numberless products of daily labour, necessary to subsistence, which are consumed as soon as produced, we shall, I think, be sensible that the success and productive power of every different species of labour is at all times more dependent on the co-existing productive labour of other men than on any accumulation of circulating capital."

Hodgskin conceded that labour productivity was greatly enhanced by the use of fixed capital, but fixed capital was itself the product of labour—a fact which, he insisted, did not justify the payment of profit to its owner—and was useless apart from current operating labour: "It is plainly not the previous creation of these things which entitles them to profit . . . 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." In his account of the prerequisites for the creation and utilization of fixed capital no emphasis at all was placed upon savings. What was called for is "knowledge and ingenuity for inventing machines"—and Hodgskin complained of the failure to give inventors their due reward, which would include payment covering "the manual skill and dexterity for carrying these inventions into execution", and "the skill and labour to use these instruments after they are made."

One further point is the observation that profit is paid to the owners of both circulating and fixed capital while the functions of the two categories differed significantly. From this fact Hodgskin deduced "that the share claimed by the capitalist for the use of fixed capital is not derived from the instruments increasing the efficiency of labour, or from the utility of these instruments; and profit is derived in both cases from the poser which the capitalist has over the labourer who consumes the circulating, and who uses the fixed capital."

Hodgskin's rejection of "advance" economics and his championship of the notion of "synchronised" activity—a position which shows a deep appreciation of the distinction between stock and flow—provides the background to his attack upon Ricardian economics as an apologetic doctrine: "I shall content myself . . . with examining the claims of the capitalists, as supported by the theories of political economy . . ." The economists with whom Hodgskin specifically took issue were McCulloch and James Mill who were both regarded as providing a defence and justification of the contemporary social system: "Several good and great men, whom we must all respect and esteem, seeing that capital did obtain all the large share I have mentioned, and being more willing, apparently, to defend and to explain the present

28 Ibid., 77-8 (My emphasis).
29 (London, 1825), 37. The subtitle of the work is the Unproductiveness of Capital proved with Reference to the Present Combinations amongst Journeymen. See Haëvy, Thomas Hodgskin, 89-90, 96, for the view that Hodgskin "took up Ravenstone's thesis and completed and amended it in his Labour Defended..." Although there is much truth to this Hodgskin was clearly more familiar with the Ricardian literature and his indebtedness to Smith was also more explicit. Moreover, unlike Ravenstone, Hodgskin accorded no role at all to government. (In his Popular Political Economy, 77, Hodgskin specifically commended Ravenstone for his emphasis upon "knowledge" in technology.)
30 Labour Defended, 47.
31 Ibid., 50-1. Hodgskin is somewhat self-contradictory since he himself not infrequently adopts the conception of capital attributed to the Ricardians (e.g. ibid., 95, 107-8).
32 Ibid., 55.
33 Ibid., 63-4.
34 Ibid., 70.
35 Ibid., 27. (My emphasis).
order of society than to ascertain whether it could be improved, have
devoured to point out the method in which capital aids production.”
McCulloch and Mill he regarded as “by far the most efficient and eloquent
supporters of the doctrine I do not assent to.”36 Similarly, he complained
that economists spoke of capitalists as the “benefactors” of the labourer
rather than the “appropriators” of his produce: “such are the doctrines of
political economy; and capitalists may well be pleased with a science which
both justifies their claims and holds them up to our admiration, as the great
means of civilising and improving the world.”37 It is difficult to exaggerate
the significance of Hodgskin’s charge that the Ricardians provided an apologetic
doctrine justifying the extractions of the capitalist.38

That profit (interest) is necessary as “motives for accumulation and im-
provement” was “a false view,” arising from attributing to capital and
saving those effects which result from labour”; indeed “the best means of
securing the progressive improvement, both of individuals and of nations, is
to do justice, and allow labour to possess and enjoy the whole of the
produce.”39 The danger of capital export in consequence of successful union
activity is totally discounted: “The most successful and widest-spread
possible combination to obtain an augmentation of wages would have no
other injurious effect than to reduce the incomes of those who live on profit
and interest, and who have no just claim but custom to any share of the
national produce...”40

36 Ibid., 32–3. (My emphasis). Hodgskin refers to McCulloch’s article “Political Economy”, in
the Supplement to the Encyclopaedia Britannica, presumably that to the fourth to sixth
editions, usually dated 1824. With regard to Mill—presumably the Elements—Hodgskin
remarks on the effects of capital: “Mr. Mill’s account of these effects, though not so precise, is
still more astounding. ‘The labourer,’ he says, ‘has neither raw materials nor tools. These are
provided for him by the capitalist. For making this provision the capitalist of course expects a
reward.’ According to this statement, the capitalist provides for the labourer and only,
therefore, expects a profit. In other parts of his book it is not the capitalist who provides, but
the capital which works. He speaks of capital as an instrument of production cooperating with
labour, as an active agent combining with labour to produce commodities, and thus he
satisfies himself... that capital is entitled to all that large share of the produce it actually
receives. He also attributes to capital power of accumulation. This power or tendency to
accumulate, he adds, is not so great as the tendency of population to augment—and on the
difference between these two tendencies he and other authors have erected a theory of society
which places poor Mother Nature in no favourable light.” (34–5)

37 Ibid., 72–3.
38 In his Political Economy in Parliament, 1819–1823 (London, 1976), 153, Barry Gordon
refers to “a persistent myth that Ricardianism was the creed of a burgeoning urban middle
class” which he claimed was sponsored mainly by later “social historians who try to press the
realities of the early nineteenth century into some type of Marxian evolutionary mould.” This
may be so, but Hodgskin’s interpretation of Ricardianism in this manner must not be neglected.

40 Ibid., 92. But Hodgskin warned not to eat into the return made to employers in their
capacity as “masters” as distinct from that as “capitalists.” (Ibid., 91–2).
He observed too that the accidental circumstance whereby the return to organization had
been combined with profits distorted wage differentials and rendered complex any reform.
(Ibid., 89).

His position on combination as an efficacious solution was not shared by William Thompson.

Now although the general flavour of the argument is quite clearly hostile
towards the Ricardians there exist some Ricardian features in the
pamphlet. The notion just alluded to that wages vary inversely with profits is
at least consistent with the Ricardian formulation and at the outset of his
pamphlet Hodgskin in fact used terminology characteristic of Ricardo:

I admit that the subject is somewhat abstruse, but there is a necessity for the
labourers to comprehend and be able to refute the received notions of the nature
and utility of capital. Wages vary inversely as profits; or wages rise when profits
fall, and profits rise when wages fall; and it is therefore profits, or the capitalist’s
share of the national produce, which is opposed to wages, or the share of the
labourer.41 In contrast to his position in the early correspondence Hodgskin now made
use of the differential rent theory; and he put great weight upon the
subsistence wage:

The labourer must, however, live, though the exorbitant claims of capital allow
him only a bare subsistence. Mr. Ricardo has also been aware of this, and has
therefore justly defined the price of labour to be such a quantity of commodities as
will enable the labourers, one with another, to subsist, and to perpetuate their race
without either increase or diminution. Such is all which the nature of profit or
interest on capital will allow them to receive, and such has ever been their reward.
The capitalist must give the labourers this sum, for it is the condition he must fulfil
in order to obtain labourers; it is the limit which nature places to his claims, and he
will never give and never has given, more. The capitalist, according to Mr. Ricardo’s
theory, allow the landlords to have just as much as keeps all the capitalists on a
level; the labourers they allow, in the same theory, barely to subsist.42

It is doubtless the presence of these passages which has created many of the
interpretative problems and we need to exercise caution in their evaluation.
It is my impression, for the following reasons, that Hodgskin referred
favourably to differential rent and the inverse profit-wage relation with
tongue in cheek. He himself did not base his case thereupon.

In his Labor Rewarded. The Claims of Labor and Capital Conciliated (London, 1827) 97–8,
William Thompson took Hodgskin to task for imagining that it would be possible “under the
Competitive System” to assure by way of unions that labour possess “the whole products of its
exertions.” And Hodgskin himself abandoned subsequently his defence of unions; cf. a review
for The Economist, XII, April 29, 1854, 458–9. “The principle of observing the natural laws
and not interfering with them, is as imperative on governments as on Communists,
and combining workmen. In fact, the interference of the former and the labour by Communists, Socialists,
and combinations (they are all evil).” (For attributions of the review here, and also below, see
Halsey, Thomas Hodgskin, 127f)

41 Labour Defended, 27–8.
42 Ibid., 81–2. Cf. also 31: “Whatever may be the truth of the theory in other respects,
there is no doubt of its correctness in this particular. The labourers do only receive, and ever
have only received, as much as will subsist them, the landlords receive the surplus produce of the
more fertile soils, and all the rest of the whole produce of labour in this and in every
country go to the capitalist under the name of profit for the use of his capital.”
As far as concerns the inverse wage-profit relation it is pertinent that Hodgskin did not enter into the technical details of Ricardo's construction. In brief, he did not rely on an analysis of exploitation based upon Ricardian value theory. In the specific context of value theory it is clearly Smith's position that is drawn upon—the adding-up-cost approach—as in the correspondence:

The real price of a coat or a pair of shoes or a loaf of bread, all which nature demands from man in order that he may have either of these very useful articles, is a certain quantity of labour... But for the labourer to have either of these articles he must give over and above the quantity of labour nature demands from him, a still larger quantity to the capitalist...he must pay interest... and he must, moreover, pay with the produce of his labour the rent of the landlord.43

Rent is thus treated on a par with interest as an extraction from the labourer by way of its effect on cost price, clearly showing that the differential rent theory was not part of the basic argument. Furthermore, Hodgskin has neglected to allow for innovation which, of course, rules out any necessary inverse relationship between the rate of profits and commodity wages, while, in sharp contrast, very great weight is placed elsewhere upon knowledge and new technology, and the Ricardians are taken to task for their neglect of these considerations. Similarly, in a variety of other contexts Hodgskin rejected the principle of diminishing returns as a useful predictive device on grounds of changing technology. The use of aspects of Ricardian theory to taunt the orthodox, as it were, is further suggested by the blatant contradiction implied by the recommendation of union activity as a means of raising wages at the expense of profits while insisting at the same time that the capitalist employer "will never give, and never has given" more than a subsistence wage. To summarise, Hodgskin's case was based on non-Ricardian grounds—the non-productivity of capital and the capitalist (turning upon the notion of synchronised activity) coupled with Smithian value theory—and his positive references to aspects of Ricardian doctrine were not seriously intended. It may be added that he was quite aware that the Ricardians had not themselves drawn the supposedly obvious conclusions from their own doctrine, although he pretended to be hopeful:

It is the overwhelming and all-engrossing nature of compound interest, also, which gives to Mr. Ricardo's theory and his definitions, as I have already described them, though this principle is nowhere brought sufficiently into view in his book, their mathematical accuracy and truth. I refer to them, not as caring much to illustrate the subtleties of that ingenious and profound writer, but because his theory confirms the observations I have just made—viz. that the exactness of the capitalist cause the poverty of the labourer.

Political economists, indeed, who have insisted very strongly on the necessity of giving security to property, and have ably demonstrated how much that security promotes general happiness, will not hesitate to agree with me when I say that whatever labour produces ought to belong to it... I take it for granted, therefore, that they will henceforth maintain that the whole produce of labour ought to belong to the labourer.44

Hodgskin's position may be investigated further by reference to Popular Political Economy (1827), a work based on lectures delivered in 1825 at the London Mechanic's Institution and constituting an appeal for a form of social organization based upon natural law free from all government interference. His roots in this work are evidently firmly in the eighteenth century. No use whatsoever is made of Ricardian conceptions; on the contrary, a profound hostility to the "Westminster Reviewers" is conspicuous.

Hodgskin's opposition to legislative interference of any kind is expressed in extreme terms and is the theme with which the book opens and closes. His objective is the analysis of the "code of natural laws" relating to the production of wealth, and as a matter of principle he eschews all discussion of desirable legislative measures.45 The theory of distribution is set aside for a second volume (which never saw the light of day) but a brief passage condemns Smith's successors for their faulty approach which, it is asserted, had generated a general dislike of political economy:

It was his intention also to have noticed some of the errors of the great Masters of the science, which would have enabled him, as moral feeling and scientific truth must always be in harmony with each other, to trace to its source the repugnance now felt to some of the doctrines of Political Economy. Men turn away disgusted, not from truth, but from errors dogmatically enforced... [The] writings of Dr. Smith's successors are chiefly defective;—they are erroneous chiefly on the subject of distribution. That great man carefully distinguished the natural distribution of wealth from the distribution which is derived from our artificial right of property. His successors, on the contrary, make no such distinction, and in their writings the consequences of this right are stated to be the laws of Nature.46

At the close of the book, similarly, Hodgskin censured economists for their justification of the "present distribution of wealth" as a "natural phenomenon," although such a position constituted "a palpable violation of that natural law which gives wealth to labour and to labour only; and though it is only maintained by an armed force, and by a system of cruel and bloody laws." And he further condemned the aspirations "to regulate, not only the present, but the future condition of society" on the part of those "Political Economists in our time [who] far from imitating the wise conduct of their master, have all participated in this infatuated ambition, and have all aspired

43 Ibid., 75-6.
44 Ibid., 80-1 (my emphasis); ibid., 82-3.
45 Popular Political Economy, viii—xxi.
46 Ibid., xxi—xxii (my emphasis).
to be legislators." Hodgskin’s profound hostility towards the “Westminster Philosophers” is crystal clear.48

His remarks on contemporary orthodox theory reveal a similarly hostile attitude. As in 1825 his dissection from the orthodox economists (presumably McCulloch and Mill) on the “utility of accumulated capital” is again elaborated.49 The general conception of the “bountiful” consequences of a natural system leads him to reject Malthus’s Essay on Population. The same negative evaluation is made of the related principle of diminishing returns, and here Hodgskin places the emphasis upon the haziness of the notion of good and bad land and also upon ill-considered presumptions regarding the limited significance of new technology in agriculture: “I must confess I am astonished at the hasty and dogmatical manner in which Mr. Malthus, Mr. Ricardo, and their disciples, have decided, on the single principle of decreasing fertility, this most important, extensive, and complicated question.” In this context Hodgskin makes a plea for the gathering of some evidence before “adopting a conclusion, which seems at variance with the general system of the universe.” His own belief—and once again Adam Smith is drawn upon for support as well as more recent empirical data—was that there occurs no secular decrease in labour productivity in agriculture except in so far as it is due to what is darkly spoken of as “social circumstances”; there is no “natural” or “necessary increase in the difficulties of procuring subsistence.”50 The book closes on this theme.

48 Hodgskin’s Labour Defended was the object of sharp criticism by Charles Knight in his The Rights of Industry (1831)—published anonymously on behalf of the Society for the Diffusion of Useful Knowledge. This pamphlet emboldened Hodgskin, who believed it was by Brougham, to publish in 1832 his Natural and Artificial Right of Property based on materials already written (1829). This work constitutes a condemnation of the “Westminster Philosophers” for their approach to legislation and their desire to replace the existing laws by a new code. In Hodgskin’s terms: “Man, having naturally no rights, may be experimented on, imprisoned, expropriated or even exterminated, as the legislator pleases.” Both Bentham and James Mill are specifically referred to. The latter’s statement in his article on “Jurisprudence” for the Encyclopaedia Britannica to the effect that “all right is factitious, and only exists by the will of the law-maker” is described as a “monstrous assertion” (ibid., 21).

On the basis of the distinction between human institutions and the natural order (attributed to Book III of the Wealth of Nations) Hodgskin observed “that the immediate and proximate cause of [labour’s] poverty and destitution . . . is the law which appropriates their produce in the shape of revenue, rent, tithes, and profit (ibid., 149). The law was intended “to secure the appropriation of the whole annual produce of labour” (ibid., 47).

49 Popular Political Economy, 238.
50 Ibid., 222–3; 232. A great deal of attention is paid to the influence of observation and knowledge on productivity, and to specialization in its various aspects. The discussion of territorial division of labour does not utilize the Ricardian formulation but cites Smith, Hume and Paley. (See ibid., 127f.) Of Smith, Hodgskin observes that although “he was aware of the influence of knowledge” in adding to productive power, he had not attempted “to explain the natural laws which regulate the increase of knowledge.” With specific reference to McCulloch, Hodgskin remarks that “Smith’s successors in this country have humbly imitated his example” (ibid., 53).

Great emphasis is placed on division of labour, which is not regarded as degrading in its Hodgskin’s adherence to Smith extends beyond the issue of natural law and the rejection of the supposed “pessimism” of the current orthodoxy. It is a fundamental principle of the book—as of all Hodgskin’s writings—that, in some sense, labour creates all wealth, the basis for which principle is found in the Wealth of Nations.51 To the extent that labour is responsible for wealth creation it follows that rent and profit must be deductions from labour’s contribution.52 It must be emphasized that a strictly defined labour theory of exchange value is not utilized as the basis for the “exploitation” interpretation of interest. A distinction is drawn between the “natural price” of a commodity defined in terms of labour embodiment, and the “social price” reflected by actual money prices. “No commodity can in the long run be exchanged for less, though it may for more, labour than it cost. Natural price is therefore always the limit in one direction, but in only one, to the money price of all commodities. They cannot be sold for less labour than they cost, but they may be sold for more.”53 We have here an allusion, as in Labour Defended, to the difference between labour embodied and labour commanded along Smithian lines.54

I have dealt at some length with the pamphlet of 1827 partly because it provides evidence of Hodgskin’s hostility towards the Ricardians, but also because it confirms my view that the favourable references to aspects of Ricardian theory in Labour Defended Against the Claims of Capital cannot be taken seriously but reflect the intention to embarrass the orthodox Ricardians. For the inverse profit-wage relation, subsistence wages and differential rent make no appearance whatsoever while, on the contrary, great attention is paid to new technology.55

51 Ibid., 19–20.
52 Ibid., 29. Hodgskin read a great deal into Smith’s famous assertion that “all things would gradually have become cheaper,—with all those improvements of productive power to which the division of labour gives occasion,” had it not been “for the appropriation of land, and the accumulation of stock.” (Ibid., 41).
53 Ibid., 219–20; 232–3 (my emphasis).
54 While Marx generally took the position that Hodgskin had its roots in Ricardian theory, in commenting on Hodgskin’s remarks in the present context (particularly with regard to ibid., 219–20) he observed that Hodgskin adopts Smith’s statement that “the commodity buys more labour than it contains, or that labour pays a higher value for the commodity than the latter contains.” In this regard, “Hodgskin reproduces both what is correct and what is confused and confusing in Adam Smith’s view.” Theories of Surplus Value, Part I (Moscow, n.d.), 86–7. Rejection of the inverse profit-wage relation (though with reference to commodity wages) is explicit in a later Economist review: “[Ricardo] puts the wages of the labourer and the profits of the capitalist in opposition, and regards the one as a deduction from the other. These are fatal errors. We are now fully satisfied by experience that the invention of machinery and the use of canals and railroads raises profits, though they may, after a season, gravitate again to zero, and we know from experience that the same causes raise the rate of wages, and that capitalists and
There is a rather mysterious reference to contemporary value theory in the pamphlet calling for comment: Smith's approach towards "the foundations of the science differs very much from that of late adopted in this country. Here it is now generally called after foreign authors the science of values; a most limited, and, perhaps, even useless definition; confining the science, were the definition followed, to only a small part of it, and affording no explanation whatever of its most interesting phenomena." It was unfortunate "that both the name and the arrangement given to the science by Dr. Smith, should have been superseded in his own country, and even among those persons who are proud to call him their master and the founder of the science, by the name and arrangement of his French commentators." Presumably it was J. B. Say to whom Hodgskin referred. But precisely what he had in mind may perhaps be clarified in terms of a complaint addressed against Ricardo's value theory, some twenty years later, namely that his procedure obscured class relationships—which Smith had with some success brought to the surface—by concentrating on the insignificant issue of the cause of variation in exchange value. The formulation summarizes beautifully the position already adopted in the early correspondence and in both pamphlets:

Mr. Ricardo is logically most accurate in ascribing, throughout, according to Smith's own doctrine, 'of labour paying all price,' every variation in price ultimately to variation in quantities of labour. We must, however, say, that in one sense, Smith's verbal variation from his own principle serves better to explain some social phenomena than Mr. Ricardo's technical adherence to it. Clearly the increase of price which Smith indicated to be caused by rent and profit, meant the increase of labour, which the labourer, who originally possessed the whole commodity produced, had to give, for the same, or an equal commodity, when he, not other men, not certainly the capitalists and the landlords, had to pay profit and rent, or share that commodity with others. Substituting labourer for labour, in Smith's doctrine, it is a truer representation of what actually occurs in society than Mr. Ricardo's, which, after all, is of comparatively little importance, because it is limited entirely to the exchangeable variations in the value of commodities, and takes no notice of the exchange between the different classes of labourers, capitalists, and landowners, which it was partly Smith's object to explain. Admitting the greater verbal or logical accuracy of Mr. Ricardo, it was obtained, we apprehend, by shutting entirely out of his science those important relations of the labourer to other classes, which Smith, by a change in his terms, really discussed.

II. The dissenters and the Labour writers

No serious dependency on the part of Hodgskin upon Ricardian theory is discernible; on the contrary, Ricardian theory was seen to lend itself to social apologetics. I wish now to consider the possibility that the dissenters may have taken for granted that the labour writers were in fact Ricardians—a possibility that must be carefully allowed for given the presence in Hodgskin's work of features which, taken in isolation, do indeed suggest a Ricardian affiliation. If it is found that the dissenters were impressed by such passages, then the hypothesis which we are examining—that the dissenters sought to revise orthodox economic theory because of the "dangerous use" made thereof by the social critics—would have much in its favour.

I do not intend to examine each and every possible candidate for the designation "dissenter". Only four of the better-known critics will be considered—Samuel Read, G. Poulet Scrope, Richard Whately and Mountford Longfield. But this sample includes writers who, it will probably be generally agreed, are amongst the most important. On the basis of this evidence I can see little to suggest a conspicuously held belief on the part of dissenters that the labour writers, such as Hodgskin, drew their inspiration from Ricardian theory.

The general object of Read's work is outlined in the Preface to his Political Economy. It is to define the respective rights, and the limits to those rights, of wage and profit recipients. The issue was regarded of immediate import in the light of labour's growing sophistication and power. During the course of the argument, Smith, Ricardo and Hodgskin were taken to task, in independent critiques, for maintaining the position, explicitly or implicitly, that labour is the source of all wealth: "Dr. Smith himself was not, it must be admitted, wholly free from error in his treatment of the question between the labourers and capitalists. He does not indeed treat that question directly, but he says incidentally, 'it is but equity that those who feed, clothe and lodge the whole body of the people should have such a share of

58 The Economist, IV, 28 November 1846, 1557. There is a related complaint in the same review against Ricardo's neglect of the wage structure—his assumption that "it continues nearly the same from generation to generation": "We say nothing about the rectitude of any rate of payment, but he must be blind to what is going on in society who is insensible to the facts that inequalities of reward, or comparative degrees of estimation in which different kinds of human labour are held, and consequently different rates of wages, is one of the agitating topics of the day; and the work which, pretending to treat of the greatest of the social sciences, expressly excludes the subject from consideration, casts out a topic, which Adam Smith discussed, of almost overwhelming interest." (Ibid., 1558)

59 Political Economy: An Inquiry into the nature Grounds of Right to Vendible Property or Wealth (Edinburgh, 1829), xxx.
the produce of their own labour as to be themselves tolerably well fed, dressed, and lodged; meaning evidently, from the context that the labourers alone feed, clothe, and lodge ‘the whole body of the people’..." 60 As evidence that the so-called “Ricardo economists” maintained labour to be the sole source of wealth Read referred to McCulloch’s Principles, to Ricardo’s pamphlet On Protection to Agriculture and to the first chapter of Ricardo’s Principles. The latter, he asserted, “consists of an elaborate, though indirect attempt to prove that labour produces all, as if capital produced nothing, and was not a real source of wealth also!” 61

Read fully agreed with the position of Hodgskin—“a very able writer and advocate of the labourers”—that the working class would no longer tolerate an “unjust” social organization. The two shared much in common on fundamentals. As Read phrased the matter “the great object of political economy is to point out and demonstrate the natural grounds of right upon which the great laws of property are or ought to be founded, and upon which they must ultimately rest for their justification, and stability.” What is called “this innovation,” he asserted further, “gives a more important and a more definite object to the science, presents it under a new and totally different aspect from that in which it has hitherto appeared, and causes it to assume an entirely new shape.” 62 There can be no doubt that the scope of political economy is drawn upon a broader canvas than by either Ricardo or Smith.

I turn now to his critique of Hodgskin. Read objected to Hodgskin’s contention that “all the benefits attributed to capital arise from co-existing and skilled labour,” an approach which minimized the significance of (circulating) capital as stored-up goods and emphasized in its stead that of synchronized activity, the labourer requiring nothing but “a conviction that while he is labouring at his particular occupation, the things which he does not produce himself will be produced for him, and that he will be able to procure them and pay for them by the produce of his own labour.” 63 In his reply, Read insisted upon the empirical fact that preexisting stocks are necessary for current production to proceed. But Hodgskin had also posed a variety of questions regarding fixed capital goods amounting to the contention that, however productive, they can produce nothing “independent of the labourer” having “no utility whatever, possessing no productive power whatever, but as they are guided, directed, and applied by skillful hands.” 64 To all this Read objected that Hodgskin’s argument disallowed any return to the capitalist, however great the contribution of capital to output, and therefore “proves too much”. The claim to profit by the capitalist in fact rested, Read insisted, “upon the compact and agreement with the labourer, to whom he pays his wages in virtue of that agreement”, and depended “partly upon the comparative degree in which labour can produce with and without capital, and partly upon the cost and difficulty or privation which the particular contribution of capital requires.” The correct way of determining the respective contributions of the factors from this perspective was to consider the (limited) output of which labour without capital is capable as the “produce of labour,” and all the rest as “the effects or produce of the machines and instruments or capital.” 65

The criticism of Hodgskin thus emphasised Hodgskin’s special approach to capital and was made quite apart from anything that Read had to say about Ricardo or, for that matter, Smith. There is nothing to suggest that he regarded Hodgskin’s position as deriving from Ricardo or the Ricardians.

The error of identifying “value with labour” and resolving “cost of production into the quantity of labour only” was said by G. Poulet Scrope in his Principles of Political Economy (1833) to apply to the “majority of political economists”. Ultimate responsibility, however, was assigned to Adam Smith. Smith “and his followers” are criticised for insisting that each commodity has “a real value, which they define to consist of the quantity of labour required to produce it”—an error leading them to “call labour the natural standard or measure of value.” 66 In his well-known Quarterly Review article of January 1831 Scrope took to task “Ricardo, Malthus, and their several schools” for insisting upon “a natural and real measure of value in labour, inasmuch as labour enters into, and is the primary cause of, the value of everything.” 67 Ricardo, doubtless was included amongst the “majority of political economists” with whom Scrope took issue in 1833.

No formal mention is made of Hodgskin in the context of value theory in the Principles, and this is in itself lends additional support for the divorce of Hodgskin’s case from any basis in Ricardian value theory; but Scrope had some sharp words for him when he turned to the nature of capital: “there are persons,” he complained, “who still,—in the present light of civilization, in the nineteenth century, and in the midst of all the evidence which is afforded, wherever we turn our eyes, of the prodigious part which capital is

60 Ibid., xxxii. But Read (ibid., 216) played down Smith’s slip by allowing that he was “not led into any further error” thereby, and “finds none of his future reasons, or of his doctrines in regard to taxation, on the supposition of labour producing all and capital nothing.”

61 Ibid., xix, n. The same proposition is restated subsequently at length in the body of the work (ibid., 240n.); it is clear from Read’s formulation in this context that he had before him the first or second editions of Ricardo’s Principles since in the third edition the chapter On Value is divided into seven sections, not five as Read has it.

62 Ibid., xxxii, xxiii-iv, ix.

63 Cited by Read, ibid., 125 from Hodgskin’s preface to Labour Defended.

64 Cited by Read, ibid., 127-8.

65 Ibid., 128. Read’s reply to Hodgskin does not contain a genuine empirical means of ascertaining the respective contributions of the factors.


personal gratification; and the compensation is therefore proportioned to the time during which his capital is so engaged instead of being spent on himself, as revenue." In this context issue was again taken with McCulloch and Mill for the view that "time is a mere word," but the notion of profits as compensation for abstinence had "escaped the penetration . . . even of Mr. Malthus." 

The picture would be incomplete without mention of Scrope's strongly worded rejection, in his review article, of James Mill on the law of markets. An increase in the "propensity to save" (Scrope's term) might involve a general glut:

The economists have nowhere committed greater errors than in discussing the relations of the demand to the supply of commodities. They insist, that there can be no falling off in the general demand for goods, because all business being merely an exchange of goods, the general demand is measured by, in fact consists of, the general supply. We have shown, however, that the real demand being for final consumption only, a general increase in the propensity to save, as compared with that to spend, would proportionately diminish the demand as compared with the supply, and occasion a general glut.

It may be added that Scrope accepted the Smithian approach to the secular behaviour of the profit rate running in terms of "competition of capitals"—which Ricardo, of course, had always rejected as in conflict with the law of markets—formally objecting to the "economists of Mr. Ricardo's school" for their attribution of the downward trend in the return on capital to "the necessity of resorting to inferior soils for the production of food." In this context both Malthus and McCulloch are cited as the guilty parties.

Finally, Scrope objected to Ricardo and "his followers" (Mill and McCulloch) regarding the inverse profit-wage relationship although it turns out that his major complaint was to the use of the word "wages" to mean

More specifically Scrope addressed himself to the errors of James Mill and McCulloch in a sharp criticism of the labour theory of value:

This . . . brings us to one of the most extraordinary and barefaced fallacies that were ever attempted to be imposed on the understanding of mankind under the mask of science. Messrs. Mill and McCulloch, after Mr. Ricardo, have entangled themselves so completely in their doctrine as to labour being the only source of wealth, and the prime and sole element of value, as to be driven at length into a confusion of ideas only to be equalled by those of the Catholic arguments on the invisible presence. They uphold that the profits of stock are actually neither more nor less than the wages of labour.

Scrope concluded that "it is needless to waste time in refuting such palpable absurdities." Capital and labour "co-operate in every useful undertaking, and the one is no more exclusively productive than the other." 

Profit, as such, Scrope regarded as "the inducement of the capitalists to employ his capital in production" and as "a compensation . . . for abstaining for a time from the consumption of that portion of his property on his

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68 Principles of Political Economy, 150.
69 "The Political Economists," 12. Specific attention is paid to Ricardo's chapter On Value in this context.
70 Ibid., 16. The major objection is to McCulloch's discussion of the increasing value of the cask of wine in the cellar, or the growing oak. Malthus's objections in his Definitions are commended (Ibid., 16-7).
71 Ibid., 18. The "logic" of Mill and McCulloch is that the notion that profits are proportional to time is meaningless as time is "a mere word". Natural agents create fermentation, but such agents are free so that the charge that the capitalist makes for the time he allows nature to work must be a charge for labour.
72 Ibid., 12.
proportionate wages. He, in effect, granted the validity of the relationship on Ricardo’s use of terms (although as an uninteresting truism). 77

Scrope cannot be said to have placed Hodgskin in a central position in his criticism of orthodox theory. And when Hodgskin is mentioned there is not the slightest suggestion that he depended in any way upon Ricardo or Ricardian theory.

Richard Whately condemned those “demagogues” who attempted to instil in the working class the belief that “inequality of condition is inexpedient, and ought to be abolished—that the wealth of a man whose income is equal to that of a hundred labouring families, is so much deducted from the common stock, and causes a hundred poor families the less to be maintained;—and that a general spoilation of the rich, and equal division of property, would put an end to poverty for ever.” 78 Like Scrope he also criticised McCulloch and Mill for their reduction of capital to accumulated labour and their opinion that “time is a mere work;” 79 but also like Scrope, he did not link the “demagogues” with the Ricardians.

Longfield took issue with Ricardian doctrine on two central matters of theory: first, the supposed indeterminacy of the wage–profits division in a growing economy; and second, the supposed denial of profit-rate decline in the case of capital accumulation with population given. 80 In his own model, profits are determined by a kind of marginal productivity theory of capital within a demand-supply framework while wages are treated as a form of residual in the product net of rent. Certain very significant implications for social policy were drawn by Longfield from this conception. Thus on the basis of the “order in which a correct analysis of the sources of revenue can be carried on . . . 1st Rent, 2nd Profit, 3d Wages . . . it can be proved how impossible it is to regulate wages generally, either by combinations of workmen, or by legislative enactments . . . .” 81 What Longfield evidently had in mind was that the treatment of profits as residual—the orthodox doctrine on his reading—implied that, however low the return on capital may fall, there would be no untoward consequences. In fact, he warned, to fix the wage inappropriately high, by legislation or union pressure, would dictate an inappropriately low return on capital with the effects to be expected from any commodity price set below its equilibrium level. 82 Longfield was by no means consistent in his treatment of wages as residual, for he did not rule out some dependency of the growth of the labour supply on wages and he made much of the conception of wages as payment for productive services.

There is no doubt that Longfield hoped that his lectures would demonstrate the untenability of radical solutions: “Political-Economy is merely a defensive science, which attempts to prevent the injudicious interference of speculative legislation.” The labourer should be taught “that his interest will be best promoted by prudence and industry,” and not by the “violent demolition of the capital destined to his support,” “that the wages of his labour cannot be determined by the wishes of his employer, that they are even as independent of the decrees of the legislature as they are of his own will, and that they are ultimately entirely dependent upon the prudence or improvidence, the industry or idleness, of the labouring classes themselves.” 83 More strongly he wrote:

It is frequently complained of as an unjust and an unreasonable thing, that the labourer, who seems to produce everything by his toil, should not in return receive the entire, or at least a much greater part than he does receive, of what he has assisted to produce. That his wages are so low, is sometimes attributed to the wicked combination of employers, who take advantage of his necessities or his ignorance, to impose unreasonable and unequal terms upon him, in order thereby to secure enormous profits to themselves. Such arguments are, I believe, principally propagated by men who are conscious of their invalidity, and whose object is to create disturbance, by stimulating the passions of the poor and ignorant, and by persuading them that their poverty is caused by oppression or misrule. 84

The tone of Longfield’s remarks here and his general emphasis upon the rule of law and the limited potential of union activity suggest that he may have been familiar with Hodgskin’s writings. The Lectures also contain what is perhaps a more detailed, albeit implicit, reference to Hodgskin. It occurs during the course of a discussion of wages envisaged as the discounted product of labour, a discount which the labourer is prepared to pay because he “does not and cannot wait for his wages until the sale of the commodity which he has assisted to produce”; the capitalist employer for his part “would have no motive to advance his capital if the additional value of the article were to be only equal to the sums advanced by him to the labourer . . . ; he expects to sell it at a greater price and that difference constitutes his profits.” 85 But the payment of profits should not be considered as causing an addition to the prices of commodities. For the function of waiting had in any event to be carried on and the property owner was in a

77 Ibid., 27f.
79 Ibid.
80 Lectures on Political Economy (Dublin, 1834) 184ff.
81 Ibid., vii–viii. See also ibid., 159: “It is for other reasons important that we should investigate the circumstances which determine the amount of profits and wages, and then we shall incidentally observe that they both are confined within limits which it is beyond the power of the legislature, by any direct exertion of their authority, to extend. Here legislation and combination may do mischief, but cannot do good. They may destroy a source of revenue, but they cannot transfer it to another class . . . . Those propositions will, I trust, be made evident, when we shall have ascertained what profits are, what are the circumstances from which they are derived, and what it is that regulates their amount.”
82 Lectures, 18–9.
83 Ibid., 158.
84 Ibid., 79.
better position to do so—that is, he was able to do so for a lower reward—than the owner of labour. Thus the final price which would have to be paid in the absence of conventional profits would not be lower if the burden of waiting were adopted by the labourer. This argument constitutes an implicit rejection of Hodgskin’s case that only by viewing the worker as consumer could the fact of exploitation due to the excess of market price over labour embodied—measured by the difference between labour commanded and labour embodied—best be demonstrated.

In all this—both the explicit condemnation of the radicals and the implicit criticism of Hodgskin—there is no connection made between Hodgskin and Ricardian theory. Longfield’s approach to Ricardianism will be further explored in the next section.

III. The dissenters and reform

The dissenters seem to have understood that Hodgskin’s position regarding the non-productivity of capital and against the payment of interest was unrelated to Ricardian theory—at least they were silent about any connection. There remains for us to consider the possibility that he dissenters found Ricardian doctrine inadequate as a reply to the labour writers. Now there seems to be something to this view. We have seen in the past section that the Ricardians were indeed sometimes taken to task (as by Scrope) for their approach to value theory and its (supposed) implications for the non-productivity of capital and the capitalist. This aspect of the Ricardian position would have been unsuitable as a reply. But in his account Professor Meek has gone considerably further; he has cited a “disarmingly frank” admission by Scrope in the 1873 (second) edition of his Principles that his dissatisfaction with Ricardian theory originally arose from its failure to yield a convincing defence of current institutions and the current income distribution against the charges of the socialists:

What lessons in this respect were they likely to imbibe from the current doctrines of Political Economy? Were these lessons fitted to reconcile them to the hardships of a condition of almost ceaseless toil for, in many cases, but a meagre subsistence; and this in a country overflowing with wealth enjoyed in idleness by some at the expense (as it might at first sight appear to them) of the labour of others? On examination of the works of the most noted economists of that day, Messrs. Ricardo, Jas. Mill, McCulloch, Malthus, Chalmers, and Whatley, I could not discover in them any answer likely to satisfy the mind of a half-educated man of plain commonsense and honesty who should seek there some justification for the immense disparity of fortunes and circumstances that strike the eye on every side. On the contrary, these works appeared to me to contain many obvious inconsistencies and errors, to inculcate many false and pernicious principles, and certainly to be little adapted to the purpose which I looked for in them.87

“Approaching political economy in this spirit,” Meek concluded, “it is hardly surprising that Scrope should have been the first British economist to propound a consistent version of the abstinence theory.” “Was Marx’s ‘bad conscience and evil intent of apologetic’ too strong a characterisation of such as these?” asked Dobb rhetorically.88

The foregoing interpretation, I believe, is the precise reverse of Scrope’s actual position. What he intended to convey by the passage is the failure of orthodox theory to provide a convincing rationale for the low standards and gross inequality which the orthodox economists—the Ricardians—themselves, he complained, were attempting to justify. The mistaken interpretation follows from the presumption that an economist who upholds the abstinence theory of interest is ipso facto an apologist for the status quo. It suffices to draw attention here to the following passage from the Principles where Scrope expressly accepts the necessity for reform but refuses to attribute all the social evils of the day to the existence of capital and the payment of interest:

That those who observe the prevalence of great misery among the inferior classes of workmen in this and other wealthy countries, who witness and deplore the fact, that in spite of all the manifold improvements which are continually adding to the productiveness of labour, the share of the gross production which falls to the common labourer does not increase—perhaps proportionally diminishes; that, on viewing this anomaly, they should conclude something to be wrong in the arrangements which at present determine the distribution of the wealth produced in great part by labour is no source of astonishment to me, for I arrive at the same necessary conclusion from the same observation. But that any sane person should attribute the evil to the existence of capital—that is, to the employment of wealth in aiding the production of further wealth, instead of being unproductively consumed, almost, if not quite, as fast as it is created, or unproductively hoarded to satisfy the lust of the miser—is indeed wonderful.89

To avoid misunderstanding it should be reiterated that Scrope certainly took issue with the Ricardians on the grounds that their position appeared to rule out the independent productivity of capital goods and the notion of interest as a reward for abstinence. But there is more to Ricardianism than this, and much of it, Hodgskin complained (as we shall see), lent itself as an apologia for the unacceptable conditions of the day.

There are other statements by Scrope that have been regarded as clear evidence of his concern that Ricardian doctrine did not provide an adequate

88 Theories of Production and Distribution Since Adam Smith, 110.
89 Principles of Political Economy, 150–1.
apologetic reply to the labour writers, and this because of its dis harmonious implications regarding contemporary institutional arrangements.90 The following extract is one such formulation:

In blundering the different subjects that have passed through their hands—rent, profits, wages, population, and morals—they have not merely erred, they have invariably, and with an unhappy pertinacity in error, erred on the wrong, on the most mischievous side.

In their theory of rent, they have insisted that landlords can thrive only at the expense of the public at large, and especially of the capitalists: in their theory of profits, they have declared that capitalists can only improve their circumstances by depressing those of the labouring and most numerous class: in their theory of wages, they have maintained that the condition of the labourers can only be bettered by depriving them of their greatest happiness and their only consolation under trouble, the feelings of the husband and the father: in their theory of population, they have absolved governments from all responsibility for the misery of the people committed to their care: and in their theory of morals, they have impressed on the poor, that the legitimate indulgence of their natural affections is the greatest of all crimes,—on the rich, that the abandonment of the poor to destitution is the most sacred of all duties. In one and all of their arguments they have studiously exhibited the interests of every class in society as necessarily at perpetual variance with those of every other class.91

That Scrope objected here to the dis harmonious implications of Ricardian doctrine—as he read it—is obvious and it could not have served as a convincing defence of contemporary institutions had he wished to formulate one. But if this extract is used as evidence of an apologetic intention on his part—of an insistence upon the mutually beneficial state of contemporary society—it must again be objected that the truth of the matter is quite the reverse. His complaint was that orthodoxy presented a vision of the economy precluding reform, which he believed to be essential.

Scrope’s bitter criticism of the landlord class and of contemporary institutions as responsible for poverty,92 his case for insurance schemes,93 progressive income taxation and property taxation,94 his justification of intervention in Ireland in the light of unemployment95 his rejection of the Treasury View on the grounds of a high elasticity in the supply of savings (independently of the interest rate)96 all give the lie to the notion that his economics was imbued with apologetic intent. It was the orthodox school which Scrope believed deserved the charge. Here he had in mind Malthusianism interpreted as a deliberately designed apologetic doctrine which “directly frees government from all responsibility for the sufferings of the mass of the community, by throwing the blame entirely on nature and the improvidence of the poor themselves, and declaring the evil to admit of no remedy from any possible exertions of the legislature.”97 Secondly, he rejected the doctrine of laissez faire attributed to the orthodox economists—that individuals are “certain to pursue that precise line of conduct which is most for the public advantage”; the doctrine, if applied, “would turn the throne, the pulpit, and the bench into a sinecure” and “destroys the utility of political economy itself, for what avail rules for the guidance of nations to an increase of either wealth or happiness, if individuals are sure to take the right path of their own accord?”98

But most important is Scrope’s insistence that increased aggregate wealth—the context implies that the caution applies even to increases in per capita wealth—cannot be identified with increased social happiness unless contribution by the employers of labour to a fund for assuring their labourers against destitution; a measure which would throw the expense of maintaining the aged, impotent, and destitute poor precisely upon those persons who have profited by their labour, or that of their natural protectors, while capable of work… “(Principles of Political Economy, 316).”

The emphasis in the various versions of the proposal is upon accident, sickness and old-age insurance contributions. And while Scrope had great confidence in the achievement of a high level of employment in the absence of a relief system which artificially encouraged the growth of the labour supply, it would appear that his proposal covered unemployment premiums also. This is clarified in a discussion of the effects on a local labour force of the closing of a manufacturing plant, when the pool of labour may even have been created in consequence of the plant in question (Ibid., 321). See also references ibid., 306, to the able-bodied poor.

90 “The Political Economists”, 40. Scrope described McCulloch’s “doctrine of Abstinence” as a “portentous doctrine [which] flows necessarily and immediately from the principle of free trade taken in an unlimited sense” (Ibid., 38).

91 See discussion below, pp. 401-2.

92 Principles of Political Economy. 290. Also ibid., 282-3.

93 “The Political Economists”, 47. See also the following general remark added to the second edition (1873) of the Principles of Political Economy, 336-7: “The preceding chapters have dwelt upon a variety of modes of injurious interference by governments with the freedom of industrial operations, in the presumed interests of particular classes or of the community at large. It must not, however, be supposed that every form of interference is objectionable. It is this mistake which has given currency to the charge often brought against Political Economy of requiring a rigid adherence to the principle of allowing to individuals absolute immunity in all commercial transactions from legislative control or supervision. It has been shown, however, that the principle of freedom itself rests only upon the assumption that it is expedient for the general interests. Should these, therefore, clearly require any deviation from that rule, the same expediency will justify its modification.”
the matter of distribution is also attended to. In a discussion of the grounds for limitations of the free-trade principle, Scrope charged that "the fallacy which has misled the writers who have supported free trade, as applicable without limit to all possible cases, has its roots deeply interwoven with the ground-work of political economy." What he had in mind was the treatment of the subject by orthodox writers (such as Malthus and McCulloch) solely as a "science of wealth" and not (what we would now call) one of welfare—"it is utterly false that every increase in wealth is a proportionate increase in the aggregate means of enjoyment." As he phrased the issue in detail:

All we are anxious for is a clear, general, and specific acknowledgment that the theory of wealth is not the theory of government; that the laws which regulate the increase or diminution of wealth are not the laws which determine the well or ill being of a nation; that it is of infinitely greater importance how the wealth of a community is distributed, than what is its absolute amount; that an increase of national wealth may be made at the expense of much national and individual happiness; and consequently, that the conclusions of the science of wealth, serviceable as we acknowledge they must be, if correctly deduced from true principles, and properly applied, ought, on no account, to be taken by themselves as guides to the knowledge of the real interests of a society, but must be first tested and tried by a reference to other data, upon which the welfare of societies depends, in an equal, if not in a still greater degree, than on their aggregate wealth.

The significance of Scrope's complaint against the orthodox doctrine can only be fully appreciated if it is recognized that his position was almost identical to that of William Thompson—one of the so-called "Ricardian Socialists". I have in mind Thompson's criticism of the "political economists", or "mechanical speculators", as he called them, for their preoccupation with maximum output: "By them the sublime notions of intelligence, benevolence or mutual co-operation and perfectibility, are held in derision.... The problem with them has been, how to raise the greatest produce and to ensure that greatest consumption or efficient demand." He spoke sarcastically of the "villages" of political economy as useless to social science, "the application of which becomes the art of social

happiness," and appealed for an approach which made political economy "subservient to that just distribution of wealth which tends most to human happiness." All talk of morals and legislation must be nugatory without attention to distribution: "... the most important portion of our virtues and vices [are] indissolubly connected with the distribution of wealth, that to speak of morals and legislation with an affected contempt of such matters, is to grasp at a shadow and to leave a substance—is to add hypocritical or ignorant insult to the miseries of communities."

The insistence upon the problem of distribution profoundly influenced Scrope's attitude towards political obligation: "the state has no claim to the allegiance of those citizens upon whom it confers no advantages. An individual to whom the law extends no protection in the extremity of distress is absolved from all duty of obedience to the law. It is the very first duty of a government to secure the means of subsistence to every well-disposed and well-conducted member of the community over whose welfare it presides." It may be added that while Longfield shared with Scrope (and W. F. Lloyd) the view that there exists a "natural right" to subsistence as the counterpart to any obligation to obey the laws of society, he feared Scrope had gone much too far in implying that "you must by tyranny understand every government which is not the best government to which the rights of man entitle him," a position which he believed, "would justify resistance to the laws, in every individual who thought any modification of them expedient." Whether this was exactly Scrope's intention is uncertain, but his formulations were certainly read by some to imply dangerous implications for property.

Scrope's abstinence doctrine does not alter this picture of a committed reformer. Full employment was specified by Scrope as a deliberate object of social policy, and the fact that capital might not be in excess was not to be

99 Principles of Political Economy, 298.
90 "The Political Economists", 42.
91 Ibid., 43-4. Malthus and McCulloch, runs the complaint, tended to argue as if exchange value could be identified with utility although in the water case it is realized that a commodity may have "utility" but no exchange value.
93 William Thompson, An Inquiry into the Principles of the Distribution of Wealth (London, 1824), v-vi. He was equally critical of the so-called "intellectual speculators", à la Godwin, who "proclaim man as capable of attaining happiness by his mental powers alone, almost independent of material subordinate agency."
94 Ibid., viii.
95 Ibid., x.
96 Ibid., xvii-xviii. Cf.: "It is not the mere possession of wealth, but the right distribution of it, that is important to a community... Tis not the multitude but the use and the distribution of the objects of wealth, with which society is chiefly interested." (ix) Thompson's own objective was to show that "Labour by mutual co-operation" there could be achieved a distribution satisfying all desiderata—the encouragement of production and accumulation, the minimum of administration, political utility and the widest diffusion of moral habits. (xvii)
97 Principles of Political Economy, 305. Cf. 300: "the imperative duty of the government [is] to keep an especial watch over the condition of [the working] class, and lend its aid to prevent their suffering, either from want or oppression, through the peculiarly disadvantageous circumstances in which they are placed."

In the Quarterly Review article, "The Political Economists," 48, Scrope quotes Samuel Read (Political Economy, 367) for support of his position.
98 Mountfort Longfield, Four Lectures on Poor Laws (Dublin, 1834), 25-6. Cf. ibid., 29 where Longfield asserts that it is a "false and dangerous doctrine... to lay down that extreme want justifies a disregard of the rights of property." He himself (ibid., 19, 30) maintained that the only right was to an income no higher than in "the savage state".
used as an excuse against intervention—in effect Scrope rejected the so-called Treasury View: “It is not true,” he wrote, “that the opening of any new branch must necessarily cause the withdrawal of capital from some other, in the same country, in which it is now actively employed.” He had in mind partly the possibilities open for capital inflows. But more important for us are his comments on (internal) capital supply conditions: “There is, moreover, a species of elasticity in capital, by which it accommodates itself to the demand for it; and the economists themselves assert, that any new demand for capital is in effect immediately supplied from new savings.” It is clear that in this fundamental application Scrope assumed what seems to constitute a highly elastic long-run capital supply curve. In any event, no emphasis at all is placed on the problem of assuring capital supplies. Scrope’s theoretical discussion of the abstinence issue is scarcely utilized in an apologetic manner.

Much of what has been said regarding Scrope applies also to the other dissenters. Read, for example, charged the Ricardians with social apologetics; rising real wages, he maintained, “is a result which Mr. Ricardo and his followers deprecate beyond all others” in the interest of profits; and Malthus is charged with opposing Godwin on the basis of “certain alleged greater difficulties and destitution than would fall upon the poor in consequence of those attempts to relieve them.”

Like Scrope, Richard Whately, in his Lectures of 1832, emphasized per capita national wealth as the object of a study (“wealth in proportion to the population”), and insisted upon fair distribution:

[Among] nations equal in wealth, the greatest and most important varieties may exist in respect to its distribution. If a large proportion of the wealth of a community consist of the enormous and overgrown fortunes of a few, that community has by no means such promising prospects in respect of the intellectual and moral advancement of the rest of the people, or even of the possessors of those fortunes, with which enjoys a greater diffusion of wealth.  

Support for this position was drawn from a statement by “the late Professor [Nassau Senior] in his Introductory Lecture” favouring increased wages as essential to the “morals and happiness” of the working class. Whately had also based himself upon Senior in an earlier article (1828) where he cited

Senior’s position that great wealth accumulated in the hands of a very few “may not be favourable to the happiness of the possessor; and, if this be so, Political Economy will best teach us to avoid creating or perpetuating institutions, which promote such inconvenient agglomerations.” All this must be borne in mind in evaluating Whately’s condemnation of demogogy. To reject strict “equality,” was not to support a distribution entailing “the enormous and overgrown fortunes of a few.”

Longfield is the most difficult of the dissenters to interpret. We have seen that he was critical of aspects of Ricardian theory, especially its treatment of profits as residual. To this extent it would seem clear that he could not have adopted orthodox doctrine, in his critique of radicalism. But this applies to the uncorrected version of the doctrine. It is my contention that Longfield should be envisaged as making very extensive use indeed of the Ricardian corpus of theory appropriately corrected or appropriately interpreted. As one conspicuous example, he retained the theory of differential rent, justifying the secular growth of unearned land income on the grounds that landlords are likely to generate a desirable influence on social behaviour, and by the observation that, in consequence of improvements, the secular increase in rents “takes place without a reduction of wages or profits.” Moreover, the social implications of rising unearned income were said to be diluted by the increase in the number of landowners: “The same quantity of land will be distributed among a greater number of proprietors, and the relative situation of the classes will remain as before, and a greater number of men will be supported by the rent of land, a greater number by the profits of capital, and a greater number by the wages of their labour.” As a second key example, he retained the Ricardian inverse wage-profit relation and used the measure of value in its construction in a manner so convincing as to attract Robert Torrens back to the Ricardian fold. Longfield did not believe that the fundamental theorem on distribution, when correctly inter-

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110 Ibid. Nevertheless, the taxation of net profit under given conditions relating to the savings propensity “must check the rate of increase of national capital, and moreover, occasion its transference to other countries, in which taxation is less onerous, and the rate of profits consequently higher in proportion to the political and legal securities of property.” (Ibid., 23.)
111 Political Economy, 256-7. There are kind words (ibid., 350n.) for William Godwin’s Of Population (London, 1820).
112 Introductory Lectures, 2nd ed. (London, 1832), 188.
113 Ibid., 193.
114 The reference is to An Introductory Lecture on Political Economy (London, 1827), 13.
116 Whately also reacted favourably to Smith’s warnings against narrow specialization (Introductory Lectures, 1895.), and to Senior’s case for the maintenance of steady employment opportunities (ibid., 205f.); and he supported educational programs for labour including schools attached to factories (ibid., 201.).
117 For the details of my argument regarding the Ricardian features of Longfield’s economics see my “The Reception of Ricardian Economics,” Oxford Economic Papers, XXIX, July 1977, 294f. To a lesser extent what is said of Longfield and his relationship with Ricardo applies also to Scrope.
118 Lectures on Political Economy, 225. Cf. ibid., 227 where it is claimed that but for legal restriction on the division of land many more would become landowners. (In the Four Lectures on Poor Laws, 18-9, the justification of landed property is made contingent upon the obligation to accept the rule that “every individual is entitled to the means of support, from that society which is determined to compel him to obey its laws”.
119 Longfield took issue only with some formal data in Ricardo’s Principles which imply a continually increasing proportion of rent in total produce. (Lectures, 153f.)
interpreted as referring to \textit{proportions} rather than absolute incomes, implied a clash between classes. This was particularly true when the doctrine was supplemented by his new approach to profit-rate determination.

That the (Ricardian) three-fold class approach was \textit{not} necessarily suggestive of class warfare is a case quite explicitly argued by Longfield:

At first sight it would appear, and many reasonings have proceeded upon the supposition, that the three principal classes have interests directly adverse to each other. That the landlord gets all the produce of the soil, except what is divided between the labourer and the capitalist. The more he gets, the less remains for them; and therefore as rent increases, the portion that is divided between the labourer and the farmer must suffer a corresponding diminution. In the same manner, as the fruits of industry are divided between the capitalist and the labourer, it might hastily be supposed that the gain of one must be the loss of the other.

The apparent implication of inter-class hostility is rejected on the grounds of the general principle of competition: “But the fact is not so. The parties to every contract have just at the time of making it an interest opposed to each other, each being desirous to get as much, and to give as little, as he can. But the competition of others prevent this adverse interest from operating to the detriment of either, and previous to the contract, all parties have a common interest that the articles which are the subject of the exchange should be produced in the best and cheapest manner.”

We must now consider the matter of specific policy issues. As we have seen Longfield opposed direct intervention in the labour market by legislation or union activity basing himself upon the notion that profits cannot be treated as simple residual, since any fall in the return on capital must have negative effects on the rate of accumulation. His conception of the wage rate as payment for productive services—which I again emphasise does not fit well with the view that wages are to be treated as residual—also had social implications especially for poor law legislation. All of this may appear to suggest an apologetic intent. Yet this would be an unfair conclusion. The fact is that, like Scrope, Longfield pointed squarely to the distribution problem. An emphasis upon the necessity for a “judicious” distribution is apparent in a contrast drawn between personal wealth and national wealth: “it is to be observed, that though the wealth of an individual may be expended in procuring vicious luxuries, yet that a rich nation, as distinguished from a poor nation, will be found to consist in the great mass of its inhabitants being comfortably and wholesomely fed, lodged, and clothed, and well rewarded for their industry. If otherwise, that wealth must be wrongly distributed; the cause and cure of which wrong distribution come also within the province of the political-economist to investigate.”

The greatest care was thus taken to warn against international \textit{per capita} comparisons divorced from distribution considerations. The matter of “desirable” distribution was placed squarely within the domain of the economist.

To some extent Longfield’s “solution” amounted simply to an appeal on standard Ricardian lines for rapid capital accumulation. But the range of legitimate government intervention extends far beyond anything conceived by Ricardo. In the first place, we must recognize Longfield’s assertion of a “natural right” to subsistence in exchange for the duty to obey the laws of society—the position that “every individual is entitled to the means of support, from that society which is determined to compel him to obey its laws.” On these grounds, Longfield rejected the view of J. B. Say—shared with Malthus—that “if a man does not produce subsistence for himself, or does not possess the means by voluntary gift from some other person, he can have no right to compel any one else to provide subsistence for him.” But this merely provided justification for poor relief according to the 1834 model, whereas Longfield’s programme went considerably further. He was prepared to support tax-financed redistributive schemes provided he was satisfied that labour productivity would not be adversely affected thereby. Accordingly, in the \textit{Lectures on Poor Laws} he made out a case for “those whose wants are aggravated by sufferings which put it out of their power to earn their bread; the blind, the insane, the crippled poor”, who “should be liberally assisted by the state”; the establishment of “hospitals, infirmaries, and asylums” for infectious disorders; “a very small pension” for cripples and blind poor resident at home; and of particular importance, “a small pension as a superannuation allowance, to every

\textit{120 Ibid.}, 5. The object of Political Economy in the \textit{Four Lectures on the Poor Laws}, 2, is said to be to render: the condition of labour “more comfortable, and more respectable than it has ever been before, by procuring for the labourer a steady market for his industry, and an adequate remuneration for his toil.”

The notion of “the difference between the wealth of an individual and that of the community” is said to be treated more fully “by the professor who originally discovered its importance and drew attention to it” (\textit{Lectures on Political Economy}, 6)—probably a reference to Senior to whom Whately also gave due credit as we have seen.

\textit{121 Ibid.}, 3. In a defence of political economy—which has much in common with that of Richard Whately—against the charge that wealth is not a worthy subject for investigation, Longfield observed that “Political-Economy must be studied, to teach nations the method of avoiding wealth, if it be an evil, or of creating it and distributing it judiciously, if it be a good.” (\textit{Lectures on Political Economy}, 3.)

\textit{122 Four Lectures on the Poor Laws}, 19. See also \textit{Lectures on Political Economy}, 237 where it is maintained that in conditions of extreme poverty there can be no claim on the individual to obey the laws. But, as we have seen above, Longfield took Scrope to task for going too far. What he himself had in mind was a standard no lower than would have been enjoyed “had society not existed.” (\textit{Four Lectures}, 19.) See also note 108.

\textit{123 Ibid.}, 16.

labourer of sixty years of age” irrespective of whether the claimant could justifiably be defined as “necessitous”. In a lecture of 1872, which formally dealt with “the limits of state interference with the distribution of wealth”, we are told that “political economy fully proved that as soon as society arrives at a very moderate degree of civilization, the state can give very little assistance to the creation of wealth,” and “that its interference, in general, although with the best intentions, has been absolutely mischievous”; but we also read that certain other issues of policy “have been utterly neglected, or at least have never been discussed in scientific principles.”

State interference in distribution is what Longfield largely had in mind, and in the paper we find “a program of redistribution which anticipates most features of the modern welfare state.”

This progressive approach is unaffected by the analysis of interest in terms of “abstinence”. The notion of a relationship between interest and savings—although it played a part in Longfield’s unwillingness to counteract wage increases at the expense of profits—was not used to counter governmental intervention in social affairs. The fact is that the famous analogy between demand-supply analysis relating to final products and to capital was hastily made insofar as concerns the supply side:

You may remember that the effect of demand and supply, in regulating the price of commodities, is frequently slightly influenced by the cost of production, which determines the average prices, and prevents buyers and sellers, especially in the case of the more desirable manufactured commodities, from departing very far from those prices to which they know the value of the article will soon conform itself. But of capital there is not, properly speaking, any cost of production, except that sacrifice of the present to the future which is made by the possessor of wealth who employs it as capital instead of consuming it for his immediate gratification.

It would appear, on balance, to have been Longfield’s position that although many individuals save irrespective of the return on capital, in any national capital market a positive relation can be discerned between the profit rate and saving. But the elasticity and the position, so to speak, of the aggregative curve, will differ markedly between countries and over time. It is unfortunate that Longfield chose not to go into “the circumstances which combined with the rate of profit, will have the most influence strengthening the principle of accumulation in any country.”

But there is evidence that Longfield’s view, such interest-saving nexus as exists will tend to weaken the progress of society while the other “circumstances” will strengthen. I refer to the final Lecture where the potentially dangerous effects for accumulation of a secular decline of the profit rate are considered, namely the reduction in the income of the capitalist and “the difficulty it adds to the accumulation of capital.” The first problem is dismissed in the light of a ring total profit income; while the second is also minimized in the light of prospective changing attitudes towards saving: “Those disadvantages are, with the progress of society, counteracted by the abundance of capital which, notwithstanding the low rate of profits, makes their total amount very large, and by the habits of saving, and the prudent regard to the future, which must exist in such a country.”

Indeed, in his paper dealing with the limits of state interference with the distribution of wealth,” Longfield apparently abandoned the functional dependency of savings on the rate of profits as an empirically significant phenomenon. I have in mind his assertion in 1872 that taxation to finance benefits to the under-privileged is unlikely, on balance, to have any serious consequences for “the motives to industry, thrift, and self-denial”:

As far as the taxpayer is concerned, I don’t think there is need for much caution. The disposition to accumulate depends more upon habit and temperament, than upon any calculations of reason. Its average strength in Great Britain is greater than is necessary, and can bear reduction without loss to the public. Were it not for the outlet afforded by foreign speculations, these islands could not find a profitable employment for the excess of capital that is created for a few years of peace.

This is a truly remarkable passage if it is recalled that Ricardo feared that a slackening of accumulation while J. S. Mill emphasized the precariousness of the savings disposition.

IV. Summary and conclusion

We have seen that the dissenters against Ricardian orthodoxy did not react because of the use supposedly made by the labour writers of the doctrine. Any such a position would in any event, have been unlikely given the forcibly expressed hostility towards Ricardo on the part of Thomas Hodgskin.

My analysis also casts doubt on the view that the dissenters found Ricardian theory unhelpful as a defence of the institutional and distributive status quo against the charges of the labour writers, particularly Hodgskin. I have shown that the argument collapses when faced by the fact

125 Four Lectures on the Poor Laws, 31–3.
126 "On the Limits of State Interference with the Distribution of Wealth," Journal of the Statistical and Social Inquiry Society of Ireland, Part XLII, Nov. 1872 in Economic Writings 133–4. The issue is formulated with admirable moderation insofar as it is recognized that “there may be a valid but not sufficient objection to what may be on the whole the wisest policy.”
127 Black, “Introduction," Economic Writings, 25. See also L. S. Moss, Mountfort Longfield, esp. ch. 9. Moss argues (ibid., 179) convincingly that “his later writings do not represent a repudiation of his early political position but rather an attempt to restore balance.”
128 Ibid., 196.
129 Ibid., 234.
130 Economic Writings of Mountfort Longfield, 135.
that Scrope was as sharp a critic of Ricardianism as on apologia for the
status quo and of the skewed income distribution, as any labour writer.

In Longfield’s case it is more accurate to say that he made much positive
use of Ricardian theory in formulating his reply to the radicals, fitting his own
theoretical modifications into the existing framework, appropriately inter-
preted, and thereby avoiding what he envisaged to be negative implications
for inter-class relationships.

There remains to add the following fascinating aspects to the record.
There does exist one case of an economist who complained bitterly of the
ammunition provided by Ricardo (albeit inadvertently) for the socialists.
This individual was not, however, one of the “dissenters” – he was Thomas
De Quincey. Writing in the Logic of Political Economy, not of value theory
or the inverse wage-profit theorem but of Ricardo’s minimization of tech-
nological progress and the consequent emphasis upon continuously rising
rent, De Quincey complained:

And it happens (though certainly not with any intentional sanction from so
upright a man as David Ricardo) that in no instance has the policy of gloomy
disorganising Jacobinism, fitfully reviving from age to age, received any essential
aid from science, excepting in this one painful corollary from Ricardo’s triad of
chapters on Rent, Profit and Wages. . . . The class of landlords, they urge, is the
mushest realisation of a scriptural idea — unjust men reaping where they have not
sown. They prosper . . . by the ruin of the fraternal classes associated with them-
seles on the land . . . [The] noblest order of men amongst us, our landed
aristocracy, is treated as the essential scourge of all orders beside.

The notion of class hostility — supposedly engendered by Ricardo’s distribu-
tion theory — providing a handle for the anarchists, is thus a central complaint
not of the dissenters but of one of the most faithful of Ricardo’s followers.
And the supposed connection did not lead De Quincey to seek for an
alternative structure.

Secondly, we should keep in mind James Mill, whose hysterical response
to Hodgskin is sharper than that of any of the dissenters. Mill evidently did
not believe that the standard Ricardian position failed to provide an
adequate response to the radical challenge, and saw nothing therein — even
the labour theory as interpreted by himself — which served the purposes of
the socialists. The episode in question commences with Mill’s complaint to
Francis Place about a working-class deputation to the editor of the Morning
Chronicle: “Their notions about property look ugly; they not only desire
that it should have nothing to do with representation, which is true, though
not a truth for the present time, as they ought to see, but they seem to think
that it should not exist, and that the existence of it is an evil to them.
Rascals, I have no doubt, are at work among them . . . The fools, not to see
that what they madly desire would be such a calamity to them as no hands
but their own could bring upon them.”

It was Hodgskin’s Labour Defended, Place explained to Mill, which the labourers were preaching. In the following year Mill informed Brougham: “The nonsense to which your
Lordship alludes about the rights of the labourer to the whole produce of the
country, wages, profits and rent, all included, is the mad nonsense of our
friend Hodgskin which he has published as a system, and propagates with
the zeal of perfect fanaticism . . . These opinions, if they were to spread,
would be the subversion of civilized society; worse than the revolutionary
deluge of Huns and Tartars.”

Clearly there is no self-evident relationship in the post-Ricardian litera-
ture between a body of economic theory and the social attitudes of the
economist subscribing to it. The positive contributions by some of the labour
writers point in precisely the same direction. This is very apparent in
Thompson’s case. His discussion of value includes the conceptions of
differential land use, alternative cost, and scarcity value; the principle of
diminishing marginal utility is defined and utilized (together with the prin-
iple of increasing marginal disutility of effort) in an attempt to define an
equilibrium wage rate, and also in a calculation of the effects of income
redistribution; the significance of free exchange is clearly expressed in
utility terms: “All voluntary exchanges of the articles of wealth, implying a
preference, on both sides, of the things received to the thing given, tend
to increase the happiness from wealth, and thence to increase the motives to its
mutual determination of exchange value by “intrinsic utility” and “difficulty of attainment”. I
have demonstrated in ‘The Reception of Ricardian Economics’, esp. 242–4, the impressive
extent of De Quincey’s adherence to Ricardian theory, particularly the inverse profit-wage
relationship.
production”; whereas labour was said to be the sole measure of value, it was not an accurate measure in the light of changes in preference patterns over time, so that to seek an accurate measure of wealth was “to hunt after a shadow”—as clear-cut a criticism as any by Bailey. In Hodgskin’s case, what stands out is his emphasis upon synchronized activity, which in the Economist review of 1854 was elaborated in terms of the mutual exchange of valuable services. It is precisely conceptions such as these which, when found in the “dissenting” literature, are said to indicate a developing hostility to Ricardianism and a justification of unregulated capitalism.

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THE DYNAMICS OF STABILIZATION POLICY UNDER FLEXIBLE EXCHANGE RATES: A SYNTHESIS OF THE ASSET AND NEO-KEYNESIAN APPROACHES

By JAY H. LEVIN

The objective of this paper is to investigate the influence of a floating exchange rate system on the stability of the stabilization policy transmission process and on the dynamic response of key macroeconomic variables to fiscal and monetary policy. For this purpose I have constructed a single-country model that combines the recently developed asset approach, in which asset markets adjust rapidly in comparison with the goods market, with the well-known Fleming model [6], which predicts comparative static effects of policy changes. The resulting system satisfies Richard Cooper’s criterion that “a complete model cannot avoid having both stock and flow equilibria, with explicit stock adjustment responses to disequilibria...” [1, 20]. In addition, this synthesis enables me to analyze an environment in which the central bank controls a monetary aggregate and faces any positive degree of international capital mobility. Finally, it permits me to discuss the role of speculative capital movements in the face of stabilization policy undertaken to raise the level of economic activity.

The outline of the paper is as follows. The structural model is developed in Section I, and the equilibrium of the economy is shown to be dynamically stable. In Section II I determine the dynamic response of economic activity, interest rates, and the exchange rate to a fiscal shock, and a similar analysis performed in Section III for a monetary shock. Section IV summarizes the results.

Equilibrium under floating exchange rates

The economy is represented by a goods sector and a financial sector, in which domestic residents hold domestically issued money and short-term securities as well as foreign short-term securities. The latter are considered to be imperfect substitutes for domestic securities, which are also held by foreigners. In the goods sector production adjusts at a speed proportional to the gap between production and final demand for domestically produced

136 Ibid., 45.
137 Ibid., 15.
138 The Economist, XII, 18 Nov. 1854, 1270.

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1This approach is surveyed in Dornbusch and Krugman [5, pp. 554–58] and Henderson [7, 190-92].