

**THOMAS HODGSKIN  
AND ECONOMIC PROGRESS;  
A RADICAL RECONSTRUCTION OF  
HIS ENDOGENOUS GROWTH  
THEORY**

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**THOMAS HODGSKIN AND ECONOMIC PROGRESS; A RADICAL  
RECONSTRUCTION OF HIS ENDOGENOUS GROWTH THEORY**

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## **Declaration**

I confirm that no part of this thesis has been submitted for the award of a qualification at this or any other university.

## Abstract

By means of a close reading of early 19<sup>th</sup> century economic works, and by reconstructing aspects of Thomas Hodgskin's political economy, this thesis presents an exposition of those parts of his work that contributed to his position on growth. Rather than concentrating on his ideas on capital, we have centred on his concept of political economy as a science concerned with labour as the sole creator of wealth.

We present his political economy as having labour as its focal point within a hypothetical pure market economy. From here he sought a foundation to economic growth derived from human action rather than capital or other material circumstances. Hodgskin saw human knowledge and the use of technology as the starting point that would, from his perspective, lead inevitably to those economic conditions that produce improvements in economic welfare and by doing so allow for an increase in population.

In order to demonstrate his ideas on growth, we reconstruct his concepts of what was natural and artificial to equate to the modern notions of endogenous and exogenous. Improvements to knowledge and technology that stemmed from the very temper of humanity and its tendency to multiply, were the endogenous fount of growth. In this way as Hodgskin stressed "necessity was the mother of invention".

We also illustrate how, from Hodgskin's perspective, exogenous issues were the non-economic influences such as governments, legal (rather than natural) laws and tithes that tended to act counter-productively to human progress.

Our reconstruction also resolves some of the dissonance that has long been associated with Hodgskin's economics, by addressing some of the apparent contradictions that otherwise persist.

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# Chapter 1

## Introduction

### **Agenda**

This thesis is a reconstructive exposition of Thomas Hodgskin's economic theory of endogenous growth. We aim to show that, contrary to the orthodoxy of mainstream economic thought adhered to by most of his contemporaries, Hodgskin presented an early portrayal of endogenous economic growth.<sup>1</sup> For Hodgskin this growth would occur spontaneously, and thereby endogenously, as a result of what he saw as the natural conditions of man's social situation. The medium that enabled this economic growth was the human ingenuity evident in mankind's ever increasing knowledge and improving technology.

From this perspective economic growth arose from man's ideas and mental abilities rather than the purely material circumstances of his existence. Hence we find in Hodgskin a concentration on human abilities and actions as the prime impetus to growth rather than the material characteristics of land or capital. Thus this thesis concentrates on this humanistic temper of Hodgskin's economics, rather than upon his capital theory that has generally received most academic attention.

To this end we have dealt with his views on the character of the science of political economy, which were in advance of what was to become the more accepted concept of economics as a science rather than an art or guide to the

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<sup>1</sup> By endogenous we mean that growth, in Hodgskin's scheme, arose from causes within, rather than outside, of a considered economy. We do not propose that Hodgskin held a strictly technical notion of endogeneity as portrayed in modern theories of endogenous growth. Hodgskin's ideas should rather be seen as dissonant to his contemporaries and as such conceptually preparatory to modern notions particularly as they relate to such issues as the importance of knowledge, technology, and human capital.

management of the economy. Where Hodgskin differed from later economists was that for him economics was a humanistic rather than materialistic science.<sup>2</sup>

This separation of the humanistic from the material required a clear conception of the field of endeavours upon which such distinctions are to be drawn. This was made abundantly clear by the various demarcations applied to the term *Nature* and the associated concepts of what was *natural*, *un-natural* and *artificial*.<sup>3</sup>

What Hodgskin conceived of as artificial was not just a simply clear-cut opposition to the natural. As J.S. Mill pointed out, if we take the artificial to mean that which resulted from man's actions, we either have to say that man is not part of nature, if that nature and the artificial are in opposition; or we encompass the artificial as natural. This then left the issue as to what was un-natural if the artificial was not envisaged as just the converse of the natural. To a certain extent this conundrum, at least for Hodgskin's economics, can become clearer if we clarify his notion of growth. Such a reconstructive clarification, of Hodgskin's economic theory, leads to the conclusion that therein by natural Hodgskin meant that which was economically endogenous and the term artificial equated to that which was exogenous to a specific abstract economic condition.

Hodgskin's humanistic approach was crucial to his analysis that saw labour as the sole cause of wealth. Although he recognised land and capital as necessary components to the production of wealth, it was only labour that had agency; only people acted.

This concentration on labour thus required a portrayal of labour in its broadest sense as human action directed to the production of subsistence, and wealth.<sup>4</sup>

Hodgskin claimed that labour should be rewarded with all that it produced. The comprehensive nature of Hodgskin's labour was such that as only labour acted, all the results of that action should be attributable to that labour. This became emotively expressed in the notion that labour should be rewarded with the

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<sup>2</sup> See chapter 2 – *Political Economy*.

<sup>3</sup> See chapter 3 – *Nature*.

<sup>4</sup> See chapter 4 – *Labour*.

whole product of labour. However, when we unpack what this claim amounted to it is less revolutionary than might first appear and was initially received as. Hodgskin's actual claim was that as what was produced was created by human activity those humans with responsibility for that activity had a property claim on that output.<sup>5</sup>

Thus rather than a Labour Theory of Value in the traditional sense of that expression, we shall illustrate that Hodgskin held to what might be better expressed as a Labour Theory of Property. Indeed we will show that to a large extent Hodgskin and some of his less naïve contemporaries (such as J.S. Mill and de Quincey) were well aware of the limits of a purely objective concept of value; particularly one that determined value simply by the labour embodied within a commodity. Several economists understood that a commodity's value was determined by what might be characterised as people's subjective concepts of worth, rather than absolute value existing objectively or having a concrete being independent of the good's consumer.<sup>6</sup>

A correct understanding of Hodgskin's concept of value is important to an appreciation of his ideas on price. Hodgskin's position on price was quite distinct from a notion of value. When Hodgskin claimed that prices tended to fall over time, he was not claiming that the value of goods decreased.

The issue of nomenclature often comes to the fore in this thesis, and this is particularly so when we try and clarify what Hodgskin meant by natural and market prices, especially when compared to his contemporaries.<sup>7</sup> We conclude that Hodgskin's natural price was in fact the inverse of productivity, as the ratio of labour to output (when contrasted to productivity as the ratio of output per unit of labour). Hodgskin also held that money (or market) prices provided invaluable information for buyers and sellers regarding production, consumption and economic activity in general. Indeed price was the "finger of Heaven" that presumably aided or was a part of the invisible hand that ensured market clearing.

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<sup>5</sup> See chapter 5 – *The Produce of Labour*.

<sup>6</sup> See chapter 6 – *Value*.

<sup>7</sup> See chapter 7 – *Price*.

Hodgskin acknowledged the distinctiveness of his concept of the behaviour of prices when he asserted that in the long term both market and natural prices would decrease.

Once we have clarified both the character and behaviour of prices we are able to form a more complete picture of what Hodgskin envisaged as economic growth.<sup>8</sup>

From his humanistic perspective economic growth and human technological progress in general, flowed from the needs of an increasing population. With “necessity as the mother of invention” an increasing population demanded and obtained increased social output. Given the recognition of material constraints, an increasing population necessitates increased productivity or that increased population would not survive. The very fact that populations increased required that either more physical resources were made available or that those limited resources were more productively applied. Thus if physical resources are limited, knowledge and technology must improve so as to support an increasing population.

A further facet to Hodgskin’s economic growth stems from this inevitable improving productivity. If all cost was attributable or reducible to labour, or if labour was the only contributing action in production then improving productivity must reduce natural price (in Hodgskin’s sense of natural price as the inverse of productivity).

Hodgskin believed that long term competitive pressures would ensure a narrowing of the gap between market and natural prices and that they would both follow descending trends.<sup>9</sup> Whilst editor of *The Economist* Hodgskin was instrumental to the establishment of a series of weekly price data series now continued as *The Economist* Commodity Price Index, which after 160 years concluded that market prices had indeed fallen over that extensive period.<sup>10</sup>

It is here with prices that the distinction between natural and un-natural comes to the fore again as the natural was conceived of as that which leads towards

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<sup>8</sup> See chapter 8 – *Growth*.

<sup>9</sup> He was not as naïve as to assume a direct correlation between natural and market prices.

<sup>10</sup> *The Economist* 12<sup>th</sup> February 2005, p.76.

growth and the un-natural as that which hindered such *natural* growth. Alternatively expressed what was natural diminished both natural and market prices whilst that which was un-natural tended to act in such a way as to either slow or stop the otherwise inevitable fall of natural prices.

Thus progress was portrayed as the natural condition that humanity was presented with, unless hindered by un-natural circumstances. The view of Hodgskin was that from the very constitution of man and his social existence, economic progress (in the terms that he saw it - i.e. as an increasing population with improving living standards) was inevitable. Thereby growth occurred from within the economic circumstances that man existed in – growth was endogenously stimulated by man's situation, condition and traits. In this there was a certain commonality between Hodgskin's use of the term natural and the more modern term endogenous (that was not within an early 19<sup>th</sup> century economist's lexicon).<sup>11</sup>

That which was un-natural can thus be portrayed as being what we nowadays envisaged as exogenous. From this perspective that which would not normally occur in the abstract unfettered economic affairs of man was un-natural or exogenous. In the sense that Hodgskin used the term artificial in the title of his *The Natural and Artificial Right of Property Contrasted* (1832) we might have a better understanding of his stance if we reconstructed the title as *The Endogenous and Exogenous Rights of Property Contrasted*.

Indeed this interpretation can also enlighten our understanding of his terms Natural and Social price, which had presented the anomaly of the social being placed in apparent opposition to the natural. It is plain from Hodgskin's work in general that this was not his intention as he explicitly saw man's social (rather than legal) condition as natural. A clarification that contrasted endogenously and exogenously fashioned prices should illustrate Hodgskin's economics with less ambiguity than the actual terms he left us.

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<sup>11</sup> An early example of the use of the term endogenous in a non botanical sense can be seen in Herbert Spencer's article *Over Legislation* for the *Westminster Review* of July 1853, with regards to the origins of various social and governmental institutions:

Were there space, much more might be said upon the superiority of what naturalists would call the exogenous order of institutions over the endogenous one. (Spencer, 1853, p.256)

A further issue is thereby a consideration of what would be encompassed by the un-natural or those exogenous influences that were so economically damaging. This concern is quite evident throughout Hodgskin's writings, particularly in his opposition to legal laws, as well as governmental and legal interference in the market or economy as a whole. His active opposition against the Corn Laws and support for free-trade and *laissez faire* economics as encapsulated in his latter writings for *The Economist* also illustrate this point.

A simplified expression of Hodgskin's attitude towards interference in the market might posit that anything that required the force of law to maintain its existence was not fit to survive and would only bring harm upon that which, perhaps with the best of intentions, it was meant to improve. To a large extent this attitude can be seen as being aligned to what was to become the Darwinian evolutionary stance of later Victorian Britain.

### **Focus**

Our intention has been to present Hodgskin's ideas with as full an understanding as is possible nearly 140 years after his death rather than concentrate on the validity of his prognosis.<sup>12</sup>

Other issues that do not aid our focus upon Hodgskin's concept of growth, although they may have attracted much attention elsewhere, receive less attention within this thesis.

His endogenous growth theory was largely independent of his ideas on capital. Indeed as his ideas on capital arose from his humanistic economic view of political economy, it would be fair to conceive that his view of political economy spawned two distinct concepts. The first can be seen in *Labour Defended* (1825) which focused upon his notions regarding capital. The second was presented in his next work *Popular Political Economy* (1827) where the focus was upon growth.

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<sup>12</sup> With regards to the increase in population, the improvements in technology and the fall of prices over the subsequent years Hodgskin appears to have been more on the right lines than the Ricardianism he opposed.

*Labour Defended* and Hodgskin's concept of capital have attracted much attention elsewhere, whereas this thesis targets his other line of thought, i.e. economic progress and endogenous growth.

Following the first stream concerned with capital, much has already been written regarding the connection between Karl Marx and Hodgskin's economics.<sup>13</sup> Hence, our focus herein has been intentionally directed towards Hodgskin's ideas on growth rather than his capital theory. As Marx's main concern with Hodgskin was with his capital concepts, our intention to concentrate on Hodgskin's growth economics would not have been aided by giving extensive consideration to Marx and his connection with Hodgskin's work, within this thesis.

### **Methodological Preamble**

The use of the expression *Radical* in our title is intended to emphasise two particular methodological aspects within this work, rather than present an initial claim that Hodgskin's economic thought was itself radical with the usual revolutionary connotations associated with that term.

The first emphasis that the term *Radical* provides is with regards to the manner in which the research for this thesis has been directed. In this sense we mean *Radical* as an expression of returning to first principles, or as a historian might articulate, primary sources. Hence the term *radical* is used in its original sense derived from the Latin *radix* – i.e. root. This thesis deliberately concentrates on original (root) sources as its prime research material. Whilst secondary sources are not without their place, and have provided useful perspectives and information, their interpretations of the history of economic thought, especially as that relates directly to Thomas Hodgskin, have been purposely downplayed when compared to our exposition of available primary sources. Thereby this thesis attempts to deal with Hodgskin, as a specific niche within the history of economic thought, through the root expression of that and similar thought, rather than as subsequent expressions have represented it, encumbered by succeeding history.

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<sup>13</sup> Élie Halévy's *Thomas Hodgskin* (1903; 1956) and G.D.H. Cole's *Introduction* (1922) to *Labour Defended* provide excellent examples of these efforts and illustrate the topicality that originally gave rise to such works.

One result of this particular stress is that the more usual nuance of the term *radical* became manifest within this composition. In this notion of the term *radical*, the concentration on primary sources has itself produced a secondary source that in a number of important ways is contrary or indeed radical or dissonant to many of those secondary sources already pertaining to that primary material. In this context the result can be regarded at odds with much of the existing secondary material. As such this thesis might be justified as not only a specialized work dealing with Hodgskin's particular ideas on growth from an economic perspective, but also a complement to the existing secondary material (without being a compliment).

One consequence from such a radical review of Hodgskin's economic thought is that the reputation of some economists tends to be less evident than one might otherwise expect, if the conceptions portrayed in many secondary sources had been allowed to prevail.<sup>14</sup> Although some, most notably J.S. Mill, have remained pertinent and thereby maintained a place in this thesis.<sup>15</sup>

With this impassiveness towards repute in mind, attention has been intentionally focused on those of lesser notoriety and those whose fame may not have lingered in economists' minds over the subsequent century and a half.

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<sup>14</sup> For example David Ricardo: whose subsequent reputation did not reflect his place in the literature of political economy of early 19<sup>th</sup> century Britain. He was relatively unknown and little read during his lifetime and by 1830 what influence he had upon the elite of political economy had waned significantly, as recognised in some of the secondary sources; for example, D.P. O'Brien's *The Classical Economists Revisited* (2004) pointed out that:

By the 1830s there was agreement amongst his fellow economists assembled at the Political Economy Club that Ricardo's system was no longer at all generally accepted. (O'Brien, 2004, p51)

<sup>15</sup> As an undoubtedly important and respected writer of the period during which Hodgskin wrote we have used John Stuart Mill's works throughout this thesis as an exemplifier of an important standpoint of this period. We do not claim that Mill had any particular priority or authority. We refer to Mill as representative of one specific perspective relevant to Hodgskin's position.

In this vein we will not only use such work as his *Nature* (1874) but also his debating speeches of the 1820.s, his articles from the *Edinburgh* and *Westminster Reviews*, numerous other publications (such as *Fraser's Magazine* and the *Monthly Repository*), as well as his more famous books such as his *System of Logic* (1843) and *Essays On Some Unsettled Questions Of Political Economy* (1844) and *Principles of Political Economy* (1848). The sheer volume of available material by Mill also justifies reference back to such a reasonably renowned figure, which is given further validity from the commonality in much that the two writers considered their field of expertise and subject matters.

This has been done, in part, to dim the light from the “Great Men” so that illumination from a more varied range of sources might emerge to illustrate perspectives that may hitherto have been obscured.

Whilst the role of the “Great Men” identified by subsequent literature has been deliberately reduced in importance, the “smaller players” have been given greater exposure than may have been granted in many works on the general (broader) history of economic thought.

If this change of emphasis were done of its own accord then there could be an issue regarding the validity of such a move. However, we contend, that if we are concerned, as we are herein, with the economic thought of one man, rather than a grander swathe of history, there can be some justification in this. Thomas Hodgskin would have been influenced by other writers and economists of his day not on the basis of their subsequent fame, but primarily by the relevancy and influence of their ideas, as well as the intellectual environment that gave birth to such ideas. Thus, in the first instance, it is the pertinence of contemporary influences and positions that should guide the inclusion or otherwise, of other writers, economists and viewpoints.

One might justifiably be interested in the influence that the famed names, such as Ricardo, McCulloch, Senior and the Mills, had on Hodgskin. However if this was less significant, or little compared to other sources, or if succeeding fame has disproportionately enlarged their roles, then it must of necessity be those other, perhaps even justifiably, lesser known writers who come more to the fore, in a work concentrated on one specific subject (i.e. Hodgskin) rather than in those works concerned with particular historic events, issues or swathes of time.

Thus whilst the influence of Ricardo might be of importance in the history of 19<sup>th</sup> century economic thought as a whole, especially given his influence upon J.S. Mill and Marx, his role may be far less crucial to an understanding of Hodgskin’s thought. Additionally, lesser known writers, although not necessarily impacting significantly on the course of history of economic thought still provide

illumination on particular points or positions pertinent to Hodgskin's work, and can be justly referred to for the illustration they thereby provide.<sup>16</sup>

This attitude is not adopted as the result of random methodological whim or solely a desire for historical purity and precision. It is specifically adopted to address a particular difficulty one faces with regards to Hodgskin's apparent contrariness on certain issues. In much of that secondary material he is either portrayed as simply eclectic, peculiar, confused, inconsistent or at worse absurd, with regards to the principles he adopted.

One glaring example of this misrepresentation is the oft-repeated characterization of Hodgskin as a Ricardian Socialist, which is particularly odd given his forthright opposition to both Ricardo and socialism.

We are reminded by Thomas Webb in his work *The Intellectualism of Locke* that "Whenever an author appears peculiarly absurd, the first suggestion should be that he has been misunderstood" (Webb, 1857, p.13).

Thus we would reiterate that primary sources have been selected, with a view to the illumination they afford on an issue, rather than on the reputation, authority or direct relation to Hodgskin's writings that they might otherwise bring to bear in a broader, more comprehensive work.

Our concentration and emphasis on root (i.e. contemporary) material is a premeditated endeavour to achieve an understanding of Hodgskin within his original contextual setting. A deliberate attempt to avoid the clouding of vision, which, to some extent, is unavoidable when our standpoint is so distanced in time (not least with the subsequent development of language and changing terminology) and somewhat obscured by the later writings of scholars, mostly with other objects in mind, then ours – that of comprehending Hodgskin's economics of growth as a coherent and consistent whole.

Notwithstanding all this emphasis upon historical method, as the subject matter of this thesis is the growth theory of the nineteenth century economist Thomas Hodgskin, it is our intention to present an exposition of his thought on this issue

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<sup>16</sup> Although Alfred Marshall wrote that "Economics has then as its purpose firstly to acquire knowledge for its own sake" (Marshall, 1920, p.39), it is not intended herein to reproduce knowledge unless it has some relevance to the subject being dealt with.

from a distinctively economic perspective, rather than a predominately historical view.<sup>17</sup>

### **A Radical Reconstruction**

Hence we have adopted the term Radical Reconstruction to explain our methodology. Apart from its reliance on primary sources our radical reconstruction depends on a close reading of Hodgskin's material and our immersion in the literature and culture of the period in which he worked and wrote.<sup>18</sup>

We would not claim to have undertaken a close reading in the strictest technical literary critical sense of the term but an intense approximation of this methodology applied to economic texts and concepts, concentrating on the linguistic and semantic as well as cultural aspects of economic arguments.

This form of reconstruction has been applied to various aspects within this thesis, which we briefly introduce here:

- We demonstrate the distinction between labour as the cause and the source of wealth; such that labour was the efficient cause of wealth but not necessarily its sole source.
- The term *natural* is reconstructed to equate to the more modern expression *endogenous*.
- The term *artificial* is reconstructed to equate to the more modern expression *exogenous*.
- Hodgskin's Natural Price is presented as simply the inverse of productivity.
- Hodgskin's notions on value are interpreted such that he is distanced from the usual concept of a labour theory of value. Hodgskin fully recognized the role of subjective valuation by a good's purchaser in

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<sup>17</sup> The two monographs published in English to date on Thomas Hodgskin were both written by historians rather than academic economists: – Élie Halévy's *Thomas Hodgskin* (1903) [first published in English in 1956] and David Stack's *Nature and Artifice The Life and Thought of Thomas Hodgskin* (1998).

<sup>18</sup> The research has focused on a close analysis of British, Irish, and American primary sources from the late 18<sup>th</sup> to mid 19<sup>th</sup> centuries. French material available in English at this period is also encompassed.

relation to that good's value. We conclude that he held a labour theory of property as well as a labour theory of the notion of value.<sup>19</sup>

- We also present Hodgskin's growth theory as one based on the endogenous factors of population and knowledge that necessarily increase as a result of man's social existence.

### **The Mechanics of a Life**

Thomas Hodgskin was born on 12 December 1787 at Chatham where his father was a store-keeper in the naval dockyard. ... when he was barely twelve, his father cut short his education and .. [sent] the boy to sea as a cadet on a warship. For twelve years Thomas Hodgskin was a sailor (Halévy, 1956, p.29-30)

So begins Halévy's account of the mechanics of Hodgskin's life. Hodgskin's time in the navy was obviously pivotal in his formative development. It was here that his antipathy towards authority first surfaced such that in 1812 he was retired on half-pay following his disciplinary clashes with superior officers (ibid, p.31, Stack, 1998, p.36-42).

These experiences lead to him writing his first book, *An Essay on Naval Discipline* (1813).<sup>20</sup> Soon after its publication Hodgskin went to Edinburgh to study at Edinburgh University (Autumn 1813 to April 1815), but never graduated. On his return to London he introduced himself to Francis Place and other London radicals.<sup>21</sup>

About this time Hodgskin made the acquaintance of the Charing Cross Road tailor, Francis Place – Place, the Westminster political reformer, the friend of Bentham and of James Mill (Halévy, 1956, p.34)

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<sup>19</sup> As we shall explain in the appropriate section by a "labour theory of the notion of labour" we mean the acceptance that consumers' subjective valuations often aligned with their estimation of the labour embodied in or commanded by a commodity, rather than the idea that a good held intrinsic value in relation to the labour necessary to its production.

<sup>20</sup> Hodgskin also had published his only article for the *Edinburgh Review* – *The Abolition of Impressments* (Oct. 1824). This was on the same subject as his first book but presented with far more economic arguments.

<sup>21</sup> Such an association was apparently not unexceptional:

Every naval or military hero who diverges from the path of routine and discipline, and talks and writes of politics and reform, seeks encouragement from him [Bentham]. (Hodgskin/Parry, 1825, p.236)

The influence of this group of acquaintances had important ramifications for Hodgskin. They were instrumental in arranging for his European trips (Oct. 1815 – Nov. 1818), followed by a second spell in Edinburgh and the publication of a second work, his travelogue *Travels in the North of Germany* (1820).<sup>22</sup> He stayed under the influence and patronage of Place, Mill and Bentham until James Mill arranged for a post on the *Morning Chronicle* in 1823 that meant a return to London and an independent income.

This financial self-sufficiency coincided with a period of intellectual independence that was to distance him from those he had previously viewed as friends. It was also during this time that he was involved in the setting up of the London Mechanics' Institution.

In the late 1820.s and early 1830.s he published his main works of economic interest – *Labour Defended* (1825). *Popular Political Economy* (1827) and *The Natural and Artificial Right of Property Contrasted* (1832). During this period, and later, he was also writing for many journal and daily newspapers.<sup>23</sup>

Hodgskin, now the father of seven children and compelled to work to provide for his entire family, disappeared after 1832 into the obscurity of anonymous Journalism (Halévy, 1956, p.130)

He gave lectures to the Chartists in the 1840.s and had these published as *Peace, Law and Order* (1842) and *A Lecture on Free Trade in Connexion with the Corn Laws* (1843). Then in 1846 he joined the newly established magazine *The Economist* for whom he wrote until 1857. Two further lectures were published *What Shall We do with Our Criminals? Don't Create Them* (20<sup>th</sup> May 1857) and *Our Chief Crime: Cause and Cure* (3<sup>rd</sup> June 1857).

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<sup>22</sup> Although generally acknowledged as being published in 1820 it would appear that this relates only to the Edinburgh edition:- a notice in the *Caledonian Mercury* of 10<sup>th</sup> Jan. 1820 advise of “This day were published” for Hodgskin’s *Travels*. However notices in the *Morning Chronicle* (13<sup>th</sup> Nov. 1819) and *The Times* (10<sup>th</sup> Nov. 1819) would seem to indicate that a London edition was actually first published in November 1819. The *Morning Chronicle* referred to Hodgskin’s work in positive terms – “of whose recent work on Germany we cannot speak too highly” (*MC*, 3<sup>rd</sup> Aug. 1820).

<sup>23</sup> Hodgskin also had published his *The Word Belief Defined and Explained* in October 1827. A second edition of *Labour Defended* was published in 1831. In 1837 a short pamphlet entitled *A Letter to Mr George Steven*, was also issued

After his retirement from *The Economist* he moved to the suburbs of London, but still continued to write a weekly article for the *Brighton Guardian* until his death on 21<sup>st</sup> August 1869.

In his *Introduction* to the English translation of Halévy's monograph on Hodgskin, A.J. Taylor noted the sparseness of biographical detail:

Much of the detail of Hodgskin's life story remains obscure, not because Halévy wished it so, but because the evidence for a fuller reconstruction is lacking. This subordination of contemporary life and of action to thought could, in the study of many thinkers, prove disastrous. ... Of Hodgskin, however, this is far less true. (Taylor, 1956, p.19)

Much more detail was subsequently provided in David Stack's excellent biography *Nature and Artifice: The Life and Thought of Thomas Hodgskin* (1998). Although there still seems to be more that can be collated when recounting specific aspects of Hodgskin's life.

### **Early Writings**

It seems that Hodgskin was far more prolific and broader in his writings particularly early in his career. William St. Clair reported a court case of June 1827 that is important in this regard, but otherwise has not been referred to when discussing Hodgskin (St. Clair, 1970, p.4-7). This libel action resulted in the acknowledgement of Hodgskin as the co-writer of William Parry's *The Last Days of Lord Byron* (1825); is itself a quite interesting fact.

However perhaps more important was the emphasis placed on Hodgskin as an established writer of some renown as early as 1825. Mr. Lacey, of Knight and Lacey who published both *Labour Defended* and *The Last Days of Lord Byron* in 1825, referred to Hodgskin as someone "in the habit of writing for publication" (ibid, p.5). The Lord Chief Justice's summing up made reference to Hodgskin as "a person familiar with the tones and excellencies of the English language" (ibid).

Further esteem of Hodgskin's writing can be seen in the favourable review made of *Popular Political Economy* in *The Times* (15<sup>th</sup> June 1827).

Thus it appears that Hodgskin was producing works we have hitherto been unaware of, with a more respected reputation than was credited to him by those

antagonistic to his views. Given he had no direct followers or disciplines it was in the main his detractors' efforts that have come down to us over time.

Stack has Hodgskin's vocation as a newspaper writer starting with his return to London from Edinburgh in 1823 – "Hodgskin's forty-six year career as a journalist was about to begin" (Stack, 1998, p.78).<sup>24</sup>

Notwithstanding this comment Stack did acknowledge that Hodgskin did write articles in some Edinburgh publications prior to his return to London. Stack asserted that Hodgskin was reduced to "producing anodyne articles for Tory journals" and had "adapted himself to the life of a literary prostitute" (ibid, p.75). Thereby little of what he produced during this period was of real worth and we might thus be surprised at his meteoric rise that saw him able, within two years of embarking on his journalistic career of being able to produce *Labour Defended* followed by *Popular Political Economy* in less than another two years. It would seem that Stack and many writers considering Hodgskin may have underestimated the scope of his literary output in the 1820.s.

One is thus left with the prospect that there might well be further material written by Hodgskin that can be found if one only knew where to look. David Stack did provide some clues:

The only way to earn money [for Hodgskin during his second stay in Edinburgh] was to write non-political articles usually on Germany or the German language for such "Church and King" journals such as the *Edinburgh Monthly Review* and the *Edinburgh Magazine and Literary Miscellany*. (Stack, 1998, p.75)

If one looks through the *Edinburgh Monthly Reviews'* contents list one might be struck by how few articles relevant to Germany or its language there actually was.<sup>25</sup> However, there are several articles that are not only concerned with subjects that Hodgskin would have been interested in, but on reading them closely might be identified as being in his style. The *Edinburgh Monthly Review*

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<sup>24</sup> Stack remarked on Halévy's characterisation of Hodgkin's journalistic career in a footnote thus:

Halévy said very little about Hodgskin's journalism beyond providing an incomplete list of the papers he worked for, without dates, and the comment that he "disappeared after 1832 into the obscurity of anonymous journalism (Stack, 1998, p.147).

<sup>25</sup> For example - *Political State of Germany* – Jan 1821; *Modern History of Prussia* - March 182.

only published for an eighteen month period between 1819 and 1821 and thus coincides with Hodgskin's second residency in the Scottish capital. We might thereby have an additional source of early Hodgskin material that was formative to his later books.

Of particular interest is an article, in part a review of William Godwin's *Of Population* (1820), in the May 1821 edition - *Godwin on Population* – (p.535-557).<sup>26</sup> This is essentially Hodgskin's work that appears almost as an early précis of *Popular Political Economy*. This thereby counters the assumption that Hodgskin never published anything directly relating to William Godwin (Halévy, 1956, p.31)

### **Introducing Mr. Hodgskin**

When his economic writings first appeared in the 1820.s, Thomas Hodgskin caused quite a stir. This can be seen in the extensive consternation he excited amongst his contemporaries.

Mr Hodgskin entertains the strangest notions possible (Place, 1825).<sup>27</sup>

Although Place's comment pre-dates the publication of Hodgskin's first economic work – *Labour Defended* – in late July 1825, the passion of his notions on capital had become known to Francis Place. Much of the antagonism towards Hodgskin's position was due to the implications of his capital economics. It also resulted from his uncompromising, almost brutal, attitude to both the dissemination of political economy and to equitable distribution.

His approach towards education and the communication of ideas and knowledge has had two lasting consequences. Firstly he was one of the co-

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<sup>26</sup> Also of interest as likely efforts by Hodgskin are *Brown on the Philosophy of the Human Mind* – June 1820 (p.693-735); *The State of the Press* – March 1821 (p.363-376); *Owen on the Regeneration of Society* – May 1821 (p.581-599). Obviously more work would be needed to confirm the authorship of these articles.

<sup>27</sup> Letter from Francis Place to George Birkbeck (11<sup>th</sup> June 1825); in which Place tried to discourage The London Mechanics' Institution from allowing Hodgskin to deliver a course of lectures on political economy.

Ronald Meek, in his *Studies in the Labour Theory of Value* noted that:

Thomas Hodgskin was a name to frighten children with (Meek, 1956, p.124)

founders of the London Mechanics' Institute, which subsequently became Birkbeck College. Secondly he was the first economics editor of *The Economist*, and was thus crucial to the establishment and success of that journal.<sup>28</sup>

With regards to his initial public and subsequent intellectual influence, David Stack concluded that this was quite narrow and "centred exclusively upon *Labour Defended*" (Stack, 1998, p.204).<sup>29</sup>

Despite this, Hodgskin's impact in terms of economic theory was also significant for its bearing on Marxism. A point emphasised by Élie Halévy:

But if the ideas of Hodgskin have their starting point in the philosophy of Bentham, it is in the philosophy of Karl Marx, as one knows, that they have their resting place; and it is under their Marxist form that they have gained universal popularisation. (Halévy, 1956, p.169)

In *Capital*, Marx quoted from three of Hodgskin's publications and referred to him as "one of the most important modern English economists" (Marx, 1976, p.1000). Marx also noted Hodgskin's *Labour Defended* (1825) and *Popular Political Economy* (1827) as being "still regarded as belonging to the most important works of English political economy" (Marx, 1972, p.263).

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<sup>28</sup> In *The Pursuit of Reason; The Economist 1843-1993* Ruth Dudley Edwards commented on Hodgskin's impact on *The Economist*:

Hodgskin certainly added depth, scope and erudition to the literary pages along with a sharpness and combativeness that suited the paper's style: (Edwards, 1993, p.128)

Initially Hodgskin seems to have radicalised [James] Wilson on *laissez-faire* and concentrated his mind on the issue of punishment ... There were other minds being brought to bear on the paper, but in the first few years Hodgskin's role was crucial. (ibid, p.137)

<sup>29</sup> A contrast to this assertion can be seen with commentators from the early 20<sup>th</sup> century. For example, Max Beer, in his *A History of British Socialism* (1919), noted the influence that Hodgskin had upon the Chartists, particularly James O'Brien.

Having settled in London and learned the ideas of the National Union of the Working Classes, he [O'Brien] became one of the champions of the class struggle theory also. He quotes Hodgskin, especially his Natural and Artificial Right of Property, which corresponded most of all to O'Brien's own way of thinking. Hodgskin himself wrote to O'Brien and congratulated him on his efforts. (Beer, 1919, p.19)

Indeed we can see Hodgskin's relationship with the Chartists illustrated in his 1840.s lectures: - *Peace, Law and Order* (published by Hetherington in 1842) and *A Lecture on Free Trade* (1843). These were both delivered to Chartist audiences (Stack, 1998, p.158, p.160)

By the later half of the 19<sup>th</sup> century Hodgskin appeared to have become a fairly anonymous figure although his work, when considered at all, was seen as far less scurrilous than it had been viewed in the 1820.s and 1830.s:

This remarkable tract [*Labour Defended*] is attributed to Mr. Thomas Hodgskin, well known as an able and accomplished journalist; (Lalor, 1852, p.xxiv)

All Hodgskin's writing shows him to have been a man of liberal education, and some philosophical training. ... there was something in Hodgskin's writing well calculated to attract the attention of those who had any real insight into the signs of the times. No member of the English socialist group seems to have been more widely read on both sides of the Atlantic, and the significance of his position was instantly recognised. (Foxwell, 1899, p.lv-lvi)

In more modern terms, Hodgskin's work has influenced, to some extent, in the work of David Ellerman, the World Bank's development policy in the 1990.s, especially following the breakdown of former communist regimes in eastern Europe.<sup>30</sup>

### **Background and Context**

This thesis was inspired by earlier research that reviewed the issue of property rights in British political economy of the early 19<sup>th</sup> century. Within this context the work of Thomas Hodgskin became evident. However, this current research far exceeds that earlier effort in both its depth and its concentration upon the more economic aspects of Hodgskin's political economy, specifically his ideas on growth.

For Hodgskin to be considered solely as an economist, in the sense we use that term today, would be to restrict him from the many interests and concerns he wrote upon. This would be akin to referring to Karl Marx as just an economist; it would be missing the point to a great degree. Hodgskin, whilst undoubtedly not

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<sup>30</sup> David Ellerman is an American academic economist and mathematician who worked at the World Bank from 1992 until 2003. From 1997 until 2003 he was Senior Economist and Advisor to the Chief Economist (1997-9 Joseph Stiglitz; 2000-3 Nicholas Stern). He has authored several books and articles which explicitly drew directly from Hodgskin's economics; most notably - *Intellectual Trespassing as a Way of Life: Essays in Philosophy, Economics, and Mathematics* (1995), *Property and Contract in Economics* (1992) and *The Democratic Worker-Owned Firm* (1990).

comparable to Marx in terms of volume or scope, used his economics towards an end rather than as his end.

In fact the Yale Law School, which maintains a Hodgskin Archive, refers to him as a “British educator, journalist, political activist, and polemicist” rather than an economist.<sup>31</sup> Élie Halévy, his first biographer, saw Hodgskin as “a philosopher at the same time as he is an economist” (Halévy, 1956, p.181).

The third and fourth of Hodgskin’s publications were concerned with predominately economic issues evoked as political economy. The sixth was concerned with property ownership rights and legal laws, but should not be detached from his political economy, as this issue was central to his views.

Hodgskin’s political philosophy was based on an almost nihilistic anarchism, which contributed to his originality.<sup>32</sup> He was not a socialist despite many such assertions. It was not until Lowenthal (1911) that Hodgskin became typecast as a Ricardian Socialist; a curious claim given his opposition to both Ricardo and socialism.<sup>33</sup> His economics were to some extent a reaction against Ricardo that occurred when the bulk of apparently anti-capitalist or anti-establishment writers were socialist (for example William Thompson). To a large extent it was this anti-establishment stance that resulted in his being grouped with those socialists.

The fact that some of his notions were approved and taken up by many socialists (most notably Marx) has furthered this misconception. It is also worth noting that some of Hodgskin’s political economy would fit within a Misesian

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<sup>31</sup> ([www.library.yale.edu/mssa/about\\_microfilm\\_mssa.html](http://www.library.yale.edu/mssa/about_microfilm_mssa.html))

<sup>32</sup> Nihilistic in the sense that knowledge of the future is unknowable in the present, as it is not possible to know or predict what new technologies or knowledge would emerge. As such knowledge largely determined the conditions of man. Comprehension or acquaintance of the future condition of man was thus largely unfathomable.

If the future was unknowable Hodgskin conceived that there was little point in trying to stipulate rules that could be applied to such impenetrable conditions.

<sup>33</sup> For Noel Thompson “Marx was the only Ricardian Socialist. Hodgskin, Gray, Thompson and Bray may be more appropriately designated ‘Smithian’ ” (Thompson, 1984, p.105). However, he also acknowledged that Hodgskin could be removed from the socialist camp as “a proponent and defender of anarchic individualism against legal, institutional, political and other constraints” (ibid, p107).

conception of the Austrian School of economics, as can be seen by the regard he is held in by many libertarian and Austrian authors.<sup>34</sup>

### **Contemporaries and their Concerns**

Samuel Bailey's emphasis on the importance of understanding different doctrines has been adopted as a relevant and valid position within this thesis.

In the present state of political economy, however, a critical reference to the doctrines of preceding and contemporary economists cannot be avoided, and ought not to be avoided if it could. A mere direct expository treatise would be of far inferior utility. However true a doctrine may be, it is of little service until its relation to other doctrines, and its connection with knowledge already extant, has been shown. (Bailey, 1825, p.xi)<sup>35</sup>

Given this, it is worth noting that we have adopted a similar attitude as that expressed by J.B. Say and Edward Rogers;<sup>36</sup>

A man of genius is indebted to everything around him; to the scattered lights which he has concentrated, to the errors which he has overthrown, and even to the enemies by whom he has been assailed; inasmuch as they all contribute to the formation of his opinion. (Say, 1821, p.xl)

In matters of science, the progress of discovery and the establishment of truth are most effectually promoted when veneration for the authority of great names is not allowed to restrain the freedom of discussion: (Rogers, 1822, p.3).

This thesis will, as we have previously acknowledged, delve into the work of

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<sup>34</sup> A notable example being Murray Rothbard, who recognised that Hodgskin was not a socialist.

Thomas Hodgskin was a fascinating personality and a brilliant political philosopher and writer of early and mid-nineteenth century England. A radical Lockean and individualist anarchist, Hodgskin has unfortunately been enshrined in the histories of economic thought as a "Ricardian socialist". (Rothbard, 1978, p.5)

Fred Day's paper *How Austrian was Thomas Hodgskin?* (2006) also emphasised this point.

<sup>35</sup> This passage was later cited and embraced within Samuel Read's *Preface* to his *Political Economy* (Read, 1829, p.ix).

<sup>36</sup> Edward Rogers (1794-1824): *An Essay on some General Principles of Political Economy* (1822). Although hindsight does not view him as a particularly prominent economist, his contributions have not gone wholly un-noted: "It is worthy of note that he [Rogers] here gives a mathematical treatment of the incidence of taxation on land – with one exception the earliest attempt made in England to apply mathematics to economics" (Seligman, 1903, p.82-3). Seligman notes the earliest as *An Essay on the Theory of Money* (1771) by Henry Lloyd.

many of those “preceding and contemporary economists” and some of those who followed.

In many matters, the differences between economists (of this period in question – the early 19<sup>th</sup> century) were down to the application of diverse definitions. To understand where any writer was at odds with his peers or adopted a unique position requires an insight into those economists’ work with regards to their use of terms and the perspective they adopted.

Significant deliberations upon definitions may appear tedious, but is essential if we are to arrive at an understanding of the relevant issues.<sup>37</sup> It might appear peculiar that terms were used so diversely, but a reason for this may be found in Senior’s observation that:

When we read the most eminent of recent writers on the subject [of political economy], we find them chiefly engaged in controversy. Instead of being able to use the works of his fellow labourers, every economist begins by demolition, and erects an edifice, resting perhaps, in a great measure, on the same foundations, but differing from all that has preceded it in form and arrangement. (Senior, 1852, p.12)

A broad coverage of contemporary economics of the early 19th century might include certain subjects that might seem retrospectively superfluous, but we would argue that these concerns are best comprehended in the full context and relevance of their time.

### **Utilitarianism**

The Utilitarianism of Bentham and the Mills was a concept for determining morality;

The creed which accepts as the foundation of morals, Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. (Mill, X, p.210)

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<sup>37</sup> As Charles Knight:

If we sometimes appear obscure, it must be borne in mind that we cannot forbear to employ a technical terms, which are indispensable to the exact knowledge of every science; and if we sometimes seem tedious, it must also be considered that the truths which we endeavour to expound must be arrived at step by step by a methodical progress (Knight, 1831, p.8).

Charles Knight was not associated with Hodgskin’s publisher Knight and Lacey, as illustrated by St. Clair (1970, p.5).

In contrast to this Hodgskin's utilitarianism was of a personal private variety that had more to do with a modern economist's concept of individuals as profit or utility maximisers than that more usually associated with philosophers of the 19<sup>th</sup> century. In Hodgskin individuals act so as to give themselves the maximum utility. This was most stridently expressed in his *Peace, Law, and Order* (1842);

The great and immediate object of all man's exertions is man's own happiness. Self-preservation is not the first nor the chief law of nature. The chief law, the law of laws, is – BE HAPPY. This command, this call, this craving we all necessarily feel, and numerous are the instances in which individuals, despising pain and death, or rushing on self-destruction, endeavour to obey the command, "Be happy," even in self annihilation. (Hodgskin, 1842, p.9)

Thus in Hodgskin utility was a descriptive concept of human behaviour rather than a morality code or prescriptive model – "the directive rule of human conduct" (Mill, X, p.213).<sup>38</sup>

## **Property**

Hodgskin's concept of property was not a value based system that allotted or conceived property in relation to morality or what was best for society. As we shall discuss more fully when we explore Hodgskin's *Labour Theory of Property*, Hodgskin's notions of property were borne of its active creation and production rather than the utilitarian view that focused on its the use and the benefits that it brought. For example, in Godwin his "idea of property entails the concept of use" (Clark, 1977, p.248).

As can be seen throughout Hodgskin's writings the issue of property played an essential role in his economics; as both production and distribution furthered growth. In *Natural and Artificial Right of Property Contrasted* (1832) the right of property was portrayed as the crucial problem for society and economic considerations as a whole:

As the contests between individuals, between classes, and between subjects and their rulers, all relate to wealth, you may be

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<sup>38</sup> If we try and seek a moral code in Hodgskin's work it would relate to the expediency of following the laws of nature with its resultant beneficence (see chapter 3 – *Nature and the Natural*) rather than an active ability to determine what would be beneficent.

sure, that no topic can in practise, be pregnant with more important results – The right of property, which is now arming the land-owner and the capitalist against the peasant and the artisan, will, in truth, be the one great subject of contention for this and the next generation; before which, it needs no prophetic vision to foretel, the squabbles of party politicians, and the ravings of intolerant fanatics will die away unnoticed and unheard. (Hodgskin, 1832, p.15)<sup>39</sup>

By the beginning of the 19<sup>th</sup> century, utilitarian ideas had become a dominant political idea that, particularly as regards property rights, influenced economic thought. By illustrating utilitarian notions of property we will be able to distance Hodgskin from this utilitarianism and show that he owed little intellectual debt to the various threads of utilitarianism, particularly that of William Godwin.

### **William Godwin**

There has long been an association made between Hodgskin and Godwin. Despite Stack's claim that "this relationship was first posited by Halévy" (Stack, 1998, p.66) it can be seen made contemporarily, for example in the *Quarterly Review*:

It [the claim to the whole produce of industry] forms the substance of a work entitled "Labourer defended against the claims of Capital, or the productiveness of Capital proved by a Labourer," published in London in 1825. It is the staple of Mr. Godwin's theory on "Political Justice;" (QR, July 1832, p.412-3)<sup>40</sup>

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<sup>39</sup> In his *The Philosophical Anarchism of William Godwin* (1977) John P. Clark had noted the importance of property as an issue for Godwin:

The subject of property is central to Godwin's social and political thought. (Clark, 1977, p.248)

A further consideration of this understanding can be seen in Robert Lamb's *For and Against Ownership: William Godwin's Theory of Property* in the *Review of Politics* (2009):

A proper appreciation of Godwin's writing on property is thus important for understandings of late eighteenth-century theories of ownership and distributive justice. All of the major British "radical" thinkers of the 1790s — including Thomas Paine, Mary Wollstonecraft, John Thelwall, and Thomas Spence — each inspired to some degree by the French Revolution, discussed the issue of distributive justice largely through discussions of property rights. (Lamb, 2009b, p.276)

<sup>40</sup> David Stack recognised that the assumed relationship between Godwin and Hodgskin stemmed from the apparent closeness of their anarchist positions;

The basis of their posited relationship lay in the congruity of their conclusions on government and laws. So close were these that it was

It will become evident during this thesis that this claim of the labourer to the whole produce of industry was not one made in this naïve sense by Hodgskin, and that Godwin's theories were more complicated than here expressed. The *Quarterly Review's* position should be seen as part of the general anti-Hodgskin furore and panic caused in certain quarters by his writings. By association with Godwin, it was probably hoped to cast additional aspersions upon Hodgskin's ideas.

Nevertheless Godwin exemplifies the utilitarianism that saw property justified as individually created, delineated and acknowledged.<sup>41</sup> He believed that property should be distributed according to what was best for the individuals of society.

Every man has a right to that; the exclusive possession of which being awarded to him, a greater benefit or pleasure will result, than could have arisen from its being otherwise appropriated.  
(Godwin, 1793II, p.423)

Godwin conceived that the equality he saw inherent in man would inevitably lead to the expediency of parity in distribution of the materials of wealth.

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assumed that Hodgskin must have derived his views from a reading of *Political Justice*. (Stack, 1998, p.66)

Hence Stack argued extensively against any intellectual debt being owed by Hodgskin to Godwin (ibid, p.66-69);

Hodgskin drew on Locke and Smith, rather than Godwin, and accepted the doctrines of self-love and unintended consequences which Godwin, himself a critic of natural rights on utilitarian grounds, revolted against.  
(ibid, p.69)

<sup>41</sup> Indeed a review of Godwin's novel *Cloudesley: a Tale* (1830) in the *Edinburgh Review* acknowledged as the initial concerted source of contemporary utilitarianism as a code for morality, despite debates that still range as to whether Godwin actually was a utilitarian (e.g. see Robert Lamb's article *Was William Godwin a Utilitarian?* in the *Journal of the History of Ideas*, Jan. 2009).

Mr. Godwin was the first *whole-length* broacher of the doctrine of *Utility*. He took the whole duty of man – all other passions, affections, rules, weaknesses, oaths, gratitude, promises, friendship, natural piety, patriotism, – infused them in the glowing cauldron of universal benevolence, and ground them into powder under the unsparing weight of the convictions of individual understanding. ... It was as if an angel had descended from another sphere to promulgate a new code of morality; (*ER*, April 1830, P.155)

He has, however, the merit of having been the first to show up the abstract, or *Utilitarian*, system of morality in its fullest extent, whatever may have been pretended to the contrary; and those who wish to study the question, and not to take it for granted, cannot do better than refer to the first edition of *The Enquiry concerning Political Justice*; (ibid, p.157)

Human beings are partakers of a common nature; what conduces to the benefit or pleasure of one man, will conduce to the benefit or pleasure another. Hence it follows, upon the principles of equal and impartial justice, that the good things of the world are a common stock, upon which one man has as valid a title as another to draw for his wants. It appears in this respect ... that each man has a sphere, the limit and termination of which is marked out, by the equal sphere of his neighbour. I have a right to the means of subsistence; he has an equal right. (ibid)

As expressed in *Political Justice*, Godwin assumed that a rationally educated man could only act rationally.<sup>42</sup> Hence distributive equality would be seen as the most logical expedient outcome, and although not productively equal, man would spontaneously distribute according to needs and equality rather than ability;

Hence it follows that the distribution of wealth in every community, must be left to depend upon the sentiments of the individuals of that community. If, in any society, wealth is estimated at its true value, and accumulation and monopoly be regarded as the deeds of mischief, injustice and dishonour, instead of being treated as titles to attention and deference, in that society the accommodation of human life will tend to their level, and the inequality of conditions will be destroyed. (ibid, p.440-1)

In his *Enquirer* Godwin countenanced the active repression of inequalities, that has seen him included in histories of socialism as well as anarchism, but would have distanced him from Hodgskin's anti-authoritarian stance.<sup>43</sup>

Inequality therefore being to a certain extent unavoidable, it is the province of justice and virtue to counteract the practical evils which inequality has a tendency to produce. It is certain that men will differ from each other in their degrees of industry and economy. But it is not less certain, that the wants of one man are similar to the wants of another, and that the same things will conduce to the improvement and happiness of each, except so far as either is corrupted by the oppressive and tyrannical condition of the society in which he is born. The nature of man requires, that

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<sup>42</sup> Thus in Godwin individual anarchism arose from the recognition of logical necessity whereas in Hodgskin, as we shall see later, it was borne of his identification of Natural Laws or tendencies. Natural laws were downplayed in Godwin –

“Nature” is not an important concept in *Political Justice*; nature is to be overcome by rational control rather than followed. (Stafford, 1987, p.272)

<sup>43</sup> Hence Anton Menger referred to Godwin as “the first scientific socialist of modern times” (Menger, 1886, p.40).

each man should be trusted with a discretionary power. The principles of virtue require, that the advantages existing in any community should be equally administered; or that the inequalities which inevitably arise, should be repressed, and kept down within as narrow limits as possible. (Godwin, 1797, p.169)<sup>44</sup>

That Hodgskin owed anything to this thread of utilitarianism, or the anarchism (or even the economics) of Godwin will become evident as we discuss the various issues of concern within this thesis. Godwin's notions on property and an enforced equality of distribution are, as we shall see, alien to Hodgskin's position that favoured the equality of opportunity rather than Godwin's equality of outcomes.

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<sup>44</sup> Despite his reputation as an anarchist, in *Political Justice* Godwin made a case for the use of coercion;

But, if reason prove insufficient for this fundamental purpose, other means must doubtless be employed. It is better that one man should suffer, than that the community should be destroyed. General security is one of those indispensable preliminaries, without which nothing good or excellent can be accomplished. It is therefore right that property, with all its inequalities, such as it is sanctioned by the general sense of the members of any state, and so long as that sanction continues unvaried should be defended, if need be, by means of coercion. (Godwin, 1793II, p.442)

He conceived that coercion would only be necessary because of the "injudicious magnitude and complication of political societies" (ibid, p.443) and would rarely be resorted to.

In a general and absolute sense therefore, it cannot be vindicated. But there are duties incumbent upon us, of a temporary and local nature; and we may occasionally be required, by the pressure of circumstances, to suspend and contravene principles, the most sound in their general nature. ... It is never to be regarded but as a temporary expedient, the necessity of having recourse to which is deeply to be regretted. (ibid)

However, in the way of utilitarianism, coercion was an evil that could be justified on its relative merits when compared to a worse evil;

It is an expedient, protecting one injustice, the accumulation of property, for the sake of keeping out another evil, still more formidable and destructive. (ibid)

In contrast to this, coercion was unacceptable to Hodgskin, and was viewed as itself a cause of the inequality that Godwin hoped it would remove:

I may not at present enter further into the subject of political order, which I have merely alluded to in order to contrast it with natural social order. ... One is perfect freedom, the other coercion. In the one there is perfect equality, in the other dominion and degradation, lordship and serfship. (Hodgskin, 1842, p.17)

## Property Rights

The early nineteenth century debate on rights and property rights in general, centred on the issue of their origin, either as natural or exclusively legally created concepts.

we are entitled to say, that nearly all the questions which now agitate our people, all the evils that Reform is expect to relieve, relate to the right and distribution of property. We throw no doubt ourselves on a right of property which is natural and indispensable, but the right which is established by our laws may and does want to be inquired into. (*BL*, 17<sup>th</sup> June 1832)

The Benthamite position was that there were no rights except those rights created by laws. Thus the right of property was not borne of some intrinsic or “natural” condition, but created and maintained by man’s legal measures because it was expedient, in terms of utility, so to do.

Right, therefore, is factitious, and the creature of will. It exists, only because the society, or those who wield the powers of the society, will that it should exist; and before it was so willed, it had no existence. (Mill, 1825b, p.5)<sup>45</sup>

Hodgskin saw “Messrs. Bentham and [James] Mill, and their arrogant disciples” in opposition to Locke, Smith and others, for their abandonment of natural rights in favour of law as the sole source of rights (Hodgskin, 1832, p.22).<sup>46</sup>

Thus there were two distinct perceptions of law, rights and property; and those who adopted a Benthamite view generally expressed opposition to Hodgskin in all matters.<sup>47</sup>

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<sup>45</sup> Hodgskin was specifically critical of this passage from James Mill’s article *Jurisprudence* written for *The Supplement to the Encyclopædia Britannica*; - “Filmer’s doctrine of the divine right of kings was rational benevolence, compared to [this] monstrous assertion” (Hodgskin, 1832, p.21). It was against Filmer that Locke had written his *Two Treatises of Government* that Hodgskin extensively cited

<sup>46</sup> Cicero, Seneca, Bacon, Locke, Burke and Smith were listed by Hodgskin as those who held to notions favourable to natural rights (Hodgskin, 1832, p.22).

<sup>47</sup> For example Thomas Cooper’s opening remarks to his chapter *On Property* – “All rights are the creatures of society, founded on their real or supposed utility; and requiring the force of society to protect them” (Cooper, 1826, p.52: 1830, p.63).

Whereas others, whose position was nearer to Hodgskin’s, took a contrary view – “Private property, as an institution, did not owe its origin to any of those considerations of utility, which plead for the maintenance of it when established” (Mill, II, p.201). A further example can be seen in John Stuart Mill’s most Hodgskinite comment – “The laws of property have never yet conformed to the principles on which the justification

These two perspectives can be somewhat aligned to the economics of growth, that is the central theme of this thesis. Hodgskin's concept of growth as endogenous can be seen associated with his views on property as endogenously arising from the very nature of mankind and his social being. Whereas the opposing position maintained that property, and thus eventually growth, was exogenous to human existence; unless imposed by legislative decree.

Hodgskin adopted a strictly Lockean position, of rights being valid prior to the instigation of legal systems.

Although central to Hodgskin's anarchism, hostility to laws, with regards to rights, was not uncommon in the early part of the 19<sup>th</sup> century. The MP George Poulett Scrope provided a rationale as to why the ideas of Bentham and respect for the law had come to override, or at least compete with, the notion of natural rights (and appeared to have been as contemptuous of legal process as Hodgskin was).<sup>48</sup>

Unhappily wisdom has had but little to do with the proceedings of most law-makers; nor, had they all been Solons in capacity, was their real object always that which they professed to have in view. While the public welfare has been on their lips, their own private advantage, or the indulgence of their selfish passions, was but too frequently uppermost in their minds. In this way the discrepancies between legal and natural rights have been widened, until at times all trace of the latter has disappeared from the institutions of a society, and been utterly lost sight of by those who enforce or expound them; until, in the maze of precedent and prescription, the means have been mistaken and worshipped for the end, and the law has been looked upon as an abstract something to be venerated and pursued for its own sake, independent of its bearing on the welfare of man; until it has been stoutly denied that

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of private property rests. They have made property of things which never ought to be property, and absolute property where only a qualified property ought to exist." (ibid, p.207).

<sup>48</sup> Scrope was apparently comfortable using Hodgskin's *Labour Defended, Popular Political Economy* and *Natural and Artificial Right of Property* as an authority, in his *Principles of Political Economy* (Scrope, 1833, p.s.8, 150, 249, 250). Although by his second edition, *Political Economy for Plain People* (1873), Scrope had removed the preliminary philosophical content regarding rights and "natural Law"; thus only *Labour Defended* and *Popular Political Economy* were referred to (Scrope, 1873, p.s.103, 202, 203).

there is, or can be, any other right than *that which is established by law*. (Scrope, 1833, p.3-4)

### **William Paley**

David Stack commented that “Hodgskin’s utilitarianism was not derived from Bentham, but from Paley” (Stack, 1998, p.73). In *The Pillars of Economic Understanding: Ideas and Traditions* (1998), Hodgskin’s estrangement from Bentham’s utilitarianism was also noted.

Hodgskin’s direct connection to Utilitarianism is through his relationship with Francis Place (1771-1854), a disciple of Bentham. But Hodgskin early on rejected the hedonistic basis of Benthamism – the consequentialism of the “greatest happiness” formula – and chose instead to focus on the importance of Natural Law and natural rights as the foundation for social rules and order. (Perlman & McCann, 1998, p.293)

Paley’s utilitarianism was explicitly linked to the issue of population in the most direct manner.

I think, with certainty, that the quantity of happiness produced in any given district so far depends upon the numbers of inhabitants ... the collective happiness will be nearly in exact proportion of the numbers; that is, twice the number of inhabitants will produce twice the quantity of happiness: (Paley, 1824, p.419)<sup>49</sup>

Thus, like Hodgskin, Paley saw ruin in a population’s demise and advantage to its growth;

the decay of population is the greatest evil that a state can suffer; and the improvement of it the object which ought, in all countries, to be aimed at, in preference to every other political purpose whatsoever. (ibid)

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<sup>49</sup> For our purposes herein we use the 1824 London (Thomas Tegg) edition of Paley’s *Principles of Moral and Political Philosophy*, from the originally published in 1785; (not the New York, S. King 1824 edition that is available through Google Books.)

By later editions book VI *Elements of Political Knowledge* of his *Principles* had been dropped. Hence the 1852 edition edited and annotated by Alexander Bain concluded that

Paley’s chapters on Politics, which are omitted here, have nearly become obsolete, (Bain, 1852, p.v)

Thus the work became *The Moral Philosophy of Paley* and Paley’s lengthy chapter of most interest to an economist – *Of Population and Provision; and of Agriculture and Commerce, as Subserving Thereto* – was absent. This also applied to the Richard Whately edition; *Paley’s Moral Philosophy with Annotations* (1859).

Although Hodgskin's concerns with population can be seen broached in Paley, the latter's views on property were distinctly un-Hodgskin-like. Paley conceived of property as a convenience that stemmed from God's will enacted in legal instruments;

The real foundation of our right is THE LAW OF THE LAND.

It is the intention of God that the produce of the earth be applied to the use of man: this intention cannot be fulfilled without establishing property: it is consistent therefore with his will that property be established. The land cannot be divided into separate property without leaving it to the law of the country to regulate that division: it is consistent therefore with the same will, that the law should regulate the division; and, consequently, "consistent with the will of God," or "right," that I should possess that share which these regulations assign me. (Paley, 1824, p.69)

This was in harmony with Paley's view that rights simply related to God's will:

Now, because moral *obligation* depends, as we have seen, upon the will of God; *right*, which is correlative to it, must depend upon the same. Right therefore signifies *consistency with the will of God*. (ibid, p.49)

Paley was dismissive of the Lockean concept of natural rights (i.e. not derived from God's will) and specifically attacked Locke's ideas, which when he summarised them, he partially accepted;

Another says, that each man's limbs and labour are his own exclusively; that, by occupying a piece of ground, a man inseparably mixes his labour with it; by which means the piece of ground becomes thenceforward his own, as you cannot take it from him without depriving him at the same time of something which is indisputably *his*.

This is Mr Locke's solution; and seems, indeed, a fair reason, where the value of the labour bears a considerable proportion to the value of the thing; or where the thing derives its chief use and value from the labour. Thus game and fish, though they be common, whilst at large in the woods or water, instantly become the property of the person that catches them; because an animal, when caught, is much more valuable than when at liberty; and this increase of value, which is inseparable from, and makes a great part of the whole value, is strictly the property of the fowler, or fisherman, being the produce of his personal labour. For the same reason, wood or iron, manufactured into utensils, becomes the property of the manufacturer; because the value of the workmanship far exceeds that of the materials. And upon a similar principle, a parcel of unappropriated ground, which a man should

pare, burn, plough, harrow, and sow, for the production of corn, would justly enough be thereby made his own. (ibid, p.67)

To this degree, Paley accepted Locke's proposition as regards most material wealth but thought this insufficient to explain ownership of lands by explorers and the staking of a claim.

But this will hardly hold, in the manner it has been applied, of taking a ceremonious possession of a tract of land, as navigators do of new-discovered islands, by erecting a standard, engraving an inscription, or publishing a proclamation to the birds and beasts; or of turning your cattle into a piece of ground, setting up a landmark, digging a ditch, or planting a hedge round it. (ibid, p.68)

Hence this flaw as regards property by possession rather than by labour enabled Paley to seek a more comprehensive explanation in his affiliation of legal instruments with God's will.

### **Lockean Foundations**

The political-philosophical foundations of Hodgskin's political economy were centred on his interpretation of the Lockean theory of property, human understanding and knowledge.<sup>50</sup>

Locke started with a dismissal of the concept of innate or instinctive ideas, whereby experience was conceived as the initial and primary provider of concepts and ideas.<sup>51</sup> Thus, for Locke, the mind could be likened to "white paper, void of all characters, without any ideas". When he asked where all "the busy and boundless fancy of man" had originated – he answered – from experience:

Whence has it all the materials of reason and knowledge? To this I answer, in one word, from EXPERIENCE; in that all our knowledge is founded, and from that it ultimately derives itself. (Locke, 1689, 2.1.2)

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<sup>50</sup> Locke's property theory being laid out in *Two Treatise of Government* (1690); whereas *An Essay on Human Understanding* (1689), expressed his concepts of knowledge and understanding in general. References to Locke's works are by book. chapter. section.

<sup>51</sup> When William Godwin had also attacked the concept of innate principles in his *Enquiry Concerning Political Justice* (Godwin, 1793I, p.25), he acknowledged he was following Locke.

Locke recognised two methods by which ideas could be generated within the human conscious – “This great source of most of the ideas we have, depending wholly upon our senses, and derived by them to the understanding, I call SENSATION.” (Locke, 1689, 2.I.3). The other source being internal reflection, which was itself dependent upon the understanding gained by external sensation via human experience (ibid, 2.I.4).

That Hodgskin started from a similar position can be seen stated in his *Essay on Naval Discipline* –

As a strenuous believer in the theory, that there are no such things as innate ideas; that, consequently, there is no such thing as an intuitive moral sense in man; that we know right from wrong only through our acquired knowledge acting upon our sensation; (Hodgskin, 1813, p.74)

In his *Two Treatises on Government* (1690) Locke had expounded his famous notion that saw property as the result of labour, which, as we discuss later in this thesis, was so crucial to Hodgskin’s economics.

Thus the principle Mr Locke lays down is, that nature gives to each individual his body and his labour; (Hodgskin, 1842, p.26)

Though the earth, and all inferior creatures, be common to all men, yet every man has a *property* in his own *person*: this no body has any right to but himself. The *labour* of his body, and the *work* of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his *labour* with, and joined to it something that is his own, and thereby makes it his *property*. It being by him removed from the common state nature hath placed it in, it hath by this *labour* something annexed to it, that excludes the common right of other men: for this *labour* being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good, left in common for others. (Locke, 1690, 1.v.27)

### **Social Perception**

From the Lockean perception, knowledge of self and other beings (as well as events or external circumstances) could only be gained via the senses and experience.

As we learn of our own bodies from seeing and feeling them, and as we see and feel the bodies of others, we have precisely similar grounds for believing in the individuality or identity of other

persons, as for believing in our own identity. (Hodgskin, 1832, p.28-9)

In this manner the human senses perceived objects by the actions of those objects upon them. External inactive objects could not generate a sensory response. Thus, in society, all that could be known of its members resulted from the experience of human actions, translated into sensations and presented as properties unto the minds of the members of that society.

Thereby the individual could only be known by their agency that impacted upon other individuals' sensation and reflection. These actions lead to the conception of individuality, which became bound-up with the concept of self and the perception of others, and thereby formed not only the basis of mutual social recognition, but also property.

The words expressed by the words mine and thine, as applied to the produce of labour, are simply then an extended form or the ideas of personal identity and individuality. We readily spread them from our hands and other limbs, to the things the hand seize, or fashion, or create, or the legs hunt down and overtake. Nor is this extension limited to material objects. (Ibid, p.29)

This identification of the self through personal action revealed in property is absent from Godwin's work. Thus in their formulations of individual anarchism Hodgskin and Godwin held markedly different attitudes to society. Godwin saw society as a necessary evil –

But though the chief purpose of society is to defend us from want and inconvenience, it effects this purpose in a very imperfect degrees. (Godwin, 1793I, p.7)

In contrast to this Hodgskin saw man as an essentially social creature.

Out of this fundamental principle of every individual's existence, and from which the actions it dictates, there grows a great SYSTEM OF SOCIAL ORDER, IN WHICH NO ONE IS GREATER THAN ANOTHER, though he may be wiser and richer, and which is, I think, or ought to be the order contemplated by the motto [Peace, Law and Order]. (Hodgskin, 1842, p.11)

Godwin challenged co-habitation and saw marriage as a forced arrangement of individuals into joint communion (Godwin, 1793II, p.506-8).<sup>52</sup> For Hodgskin

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<sup>52</sup> Alexander Gray highlighted Godwin's objection to marriage as a surrender of the individual's own control over their own rationality –

marriage was an inevitable state of the adult human condition. Indeed for Hodgskin it was this natural or inevitable tendency of men and women to cohabit that was the initial stimulus to the division of labour:

The primary division of labour springs from the sexual difference of organisation, it has its foundation in the difference of our physical constitution, in the different parental duties required of the sexes, and is co-extensive with the existence of our race. (Hodgskin, 1827a, p.112)

The foundation or beginning of society is the union of the sexes. (Hodgskin, 1842, p.11)

Having biological needs human must direct some of their actions towards meeting those physical needs, such as food, drink and shelter. For political economic purposes those actions which are directed to meeting these material needs may be called labour. Thus the properties of individuals are presented by their actions, of which labour is not an inconsiderable portion.

As we shall show it was this Lockean principle of the relationship between nature and labour that was so crucial to Hodgskin's economics especially his concept of endogenous growth.

### **Historical Works**

There have been two biographies of Thomas Hodgskin, which have dealt with his ideas to differing degrees.<sup>53</sup> In the *Introduction* to Élie Halévy's biography A.J. Taylor noted that it was a "study of the development of a man's ideas: it is not the history of his life and times" (Taylor, 1956, p.19). David Stack (*Nature and Artifice*, 1998) had a far more historical perspective and dealt with those more personal details and events in his life, as well as the theoretical interests.

This thesis is not meant to be biographical or simple history. It will centre on Hodgskin's ideas on economic progress and endogenous growth, primarily as expressed in his writings, and secondarily within direct and indirect reactions to his writings, and other contemporary sources. This renders it not exclusively

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marriage involves co-operation, and co-operation must mean some degree of dependence of one on the other, which must again entail some disobedience to the dictates of one's own conscience in the matter of justice. (Gray, 1946, p.123)

<sup>53</sup> Yale's Hodgskin Papers also include a draft of Cecil Driver's notes (1935) that were apparently intended for another biographical work.

concentrated upon Hodgskin's notions. Where additional work supplements, compliments or supports that of Hodgskin, and are also valid to the thesis' position, these will be explored.

The two biographies have been used as sources of references and material not normally available. The British Museum and Cambridge University libraries have also been used to access rarer material, but these biographies together with Graham Wallas' *The life of Francis Place* (1898) are useful initial sources and identify such material as his correspondence (e.g. with Francis Place).<sup>54</sup> They also refer to contemporary correspondence that was written concerning Hodgskin; such as between Place, Bentham, Brougham, Birkbeck and James Mill. The availability of Yale University Library's *Hodgskin Papers* on microfilm has also been an important source of relevant correspondence and information.

### **Outline of Chapters**

Thus in Chapter Two – *Political Economy* – we look at Hodgskin as, contrary to much opinion, a defender of scientific political economy. We explore the stimulus to his defence and how he limited what was encompassed by the discipline. The major contentions here are that political economy was a humanistic science in that it dealt with human action and interaction rather than materialistic aspects, and that in this he pre-empted both John Stuart Mill and Nassau Senior, with whom he had much in common.

Chapter Three – *Nature and the Natural* – we will introduce the contemporary debates concerning nature and what was seen as natural. This will expound Hodgskin's concept of nature in terms akin to those expressed by J.S. Mill, but also highlight where Hodgskin was distinct from many of his contemporaries. We will also emphasise the differences between the term *natural* with *nature* and with the *artificial*.

Chapter Four – *Labour* – continues Hodgskin's emphasis on the human aspects of production. This involves much discussion of what was meant by the term

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<sup>54</sup> Although it is important to ensure that one does not fall foul of the accusation that William Henry Chamberlain made of Marx, who, he claimed, "started with a set of dogmatic a priori assumptions and then scratched around in the British Museum for facts that would seem to bear out these assumptions". (Chamberlain, 1956 [*Some Mistakes of Marx*, Freeman magazine, May 1956])

*Labour* by Hodgskin and his contemporaries – especially his one time friend McCulloch, and others such as Mill, Senior, and Malthus.

Chapter Five – *The Product of Labour* – clarifies Hodgskin’s most notorious claim, that the labourer should receive the whole product of labour. It also illustrates how this basic concept has been misunderstood.

Chapter Six – *Value* – will briefly refute the notion that Hodgskin held exclusively to a labour theory of value.

Chapter Seven – *Price* – will investigate the three types of prices that Hodgskin delineated: Natural, Social and Market prices. His strict demarcation of Natural Prices to equate solely to labour with the exclusion of profits and rents will be compared to his specific classification of Social Price. Hodgskin’s views on Market Price as an information providing mechanism – as “the index to the wants of society” (Hodgskin, 1827a, p.235) – will be pursued and related to modern Austrian economics.

Chapter Eight – *Growth* – will look at Hodgskin’s conceptions of social and economic growth, which can not be separated from his work on knowledge and technological progress. We will also deal with the relationship between falling prices, caused by technology requiring less labour in production, and growth.

Hodgskin had an endogenous growth theory which stipulated that it was the inescapable growth of human knowledge and competition in the market that stimulated an economy via improved technology. For Hodgskin economic growth had an inevitability that was inexorably linked to his vision of progress.

Chapter Nine – *Concluding Remarks* – will attempt to pull these various aspects of Hodgskin’s economics into a coherent whole and draw appropriate conclusions with regards to the various apparent contradictions in his work.

### **Typographical Note**

We have reproduced quotations using the spellings and wordage in as near to the original material as possible. The use of antiquated lettering such as 18<sup>th</sup> century f.s has been amended to the more modern alphabet. Original italics and use of capitals (particularly favoured by Hodgskin himself) have been retained and no additional emphases added to quoted passages.

### **Abbreviations used**

BEM.	Blackwood's Edinburgh Magazine
BL.	Bell's Life in London and Sporting Chronicle
BN.	Brighton Guardian
C.	The Chemist
E.	The Economist
EMR	The Edinburgh Monthly Review
ER.	The Edinburgh Review
LP.	Letters to Francis Place
LWR	The London and Westminster Review
MM.	The Mechanics Magazine
MR.	The Monthly Review
NR.	The New Englander
QR.	The Quarterly Review
RAS	Register of Arts and Sciences
SM	The Scotsman
TN.	The Trades Newspaper
WN.	Wealth of Nations (Adam Smith)
WR.	The Westminster Review

# Chapter 2

## Political Economy

### Agenda

Our agenda in this chapter is to present not only an overview of Thomas Hodgskin's conception of political economy but also the views held on the discipline by his contemporaries during the period at which he was writing (i.e. the first half of the nineteenth century). Given that the focus of this thesis is Hodgskin's view of economic growth we need to set out the field within which his enquiry was undertaken so that we are clear on what he considered were the vital factors.

Firstly, we investigate Hodgskin's methodology with regards to political economy, and how this related to what has become known as the Classical school of political economy. If we take J.S. Mill as an archetypal classical economist then there was much in Hodgskin's economics that could be considered akin to that school's position. Although if J.S. Mill is seen as atypical we can still highlight the similarity of Hodgskin's economics with those of Mill, as well as placing Hodgskin in the context of the period in question.

In our second section we illustrate how Hodgskin appeared in advance of his contemporaries as to what the science of political economy should aim to achieve. He held a very distinct view, expressed as early as 1825, that political economy was a non-judgemental science that should be disassociated from the art of government and business, or ethical questions as to what was the right or wrong ways to manage an economy. We will show that although he was very much alone in this view in the 1820.s, by the 1840.s his view had become far more widely accepted as can be seen by the changing attitudes, for example, of McCulloch, Torrens, Senior, and J.S. Mill.

Our third section demonstrates that Hodgskin defended political economy as an academic science against the negative view popular at that time which was often highly antagonistic to both political economy and economists.

The fourth section of this chapter presents Hodgskin's conception that the subject matter of political economy was human action in the form of labour. Thus despite Hodgskin's most famous work, *Labour Defended* (1825), being an attack on the customary view taken of capital, capital was not of itself, except as the result of labour, a prime consideration within that strand of his political economy concerned with economic growth. In this way his political economy was humanistic in its method and subject matter. We will show that he was not alone in such a view and that there was much, particularly in the writings of J.S. Mill, which can be aligned with Hodgskin's position.

In our final section, given that political economy was for Hodgskin concerned with the production of wealth, we lay out the distinction between the cause and the source of wealth. Such a demarcation is important within Hodgskin's economics as it emphasises the humanistic focus of his work.

## **Introduction**

Although Hodgskin's work coincided with what might be conceived of as the heyday of classical political economy, it should be recognised that during this period the discipline was still subject to many disputes and much conflict, from both its practitioners and the public at large.

But such is the existing state of feeling on the subject – so numerous are the misapprehensions that prevail respecting it – and so strong is the prejudice in many minds against the study, – a prejudice, partly the effect, and partly the cause, of these misapprehensions, that I am compelled, however reluctantly, to occupy some of your time in removing objections and mistakes which stand in the very threshold of our inquiries. (Whately, 1831, p.11-12)

Many of the misapprehensions that prevailed centred on the consideration of what political economy, as a subject, was concerned with, as well as the definitions of terms within the science.

The differences of opinion among political economists have been a frequent subject of complaint; and it must be allowed, that one of the principle causes of them may be traced to the different meanings in which the same terms have been used by different writers. The object of the present publication is, to draw attention to an obstacle in the study of political economy, which has now increased to no inconsiderable magnitude. (Malthus, 1827, p.vii)

Political Economy has remained destitute of a definition framed on strictly logical principles, or even of, what is more easily to be had, a definition exactly co-extensive with the thing defined. (Mill, 1844, p.123)

Whilst it may be true, that clarifying definitions may not be as interesting as “doing the science” itself, without sufficiently defined terms a science will inevitably be internally contradictory and imprecise. In his *The Word Belief Defined and Explained* (1827) Hodgskin had recognised the importance of ensuring that terms were sufficiently explained.

To define the meanings of words is generally supposed to be the business of a Dictionary maker rather than of a philosopher; but of late so much light has been thrown on several dark periods of history, and on several dark parts of the science of metaphysics, by examining and explaining the meaning of words, that many philosophers might congratulate themselves were their labours to be followed by similar splendid results. (Hodgskin, 1827b, p.1)<sup>55</sup>

Thus in line with Hodgskin’s acceptance of this mode of research, and aware of the differences that exist between the meanings of words in the early 19<sup>th</sup> century with those of today, especially within the field of economics, we will not shy away from spending significant space within this thesis on the definitions of various terms.

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<sup>55</sup> Hodgskin further noticed that one of his main influences, Thomas Brown, had concentrated on definitions to attain useful results:

The investigations of Dr. Thomas Brown, in his *Essay on Cause and Effect*, ... are confined to an examination of the meaning of certain words, such as cause, power, will, effect, &c.; and by specifying distinctly the facts which these words represent, thus explaining what they mean, he has done more to improve this abstruse part of the philosophy of mind than any other metaphysician of our time. (Hodgskin, 1827b, p.1-2)

Not only was Brown held in high regard by Hodgskin but also by John Stuart Mill. Much of Mill’s *An Examination of William Hamilton’s Philosophy* (1865) was an attack on Hamilton’s criticism of Brown.

Of all persons, in modern times, entitled to the name of philosophers, the two, probably, whose reading on their own subjects was the scantiest, in proportion to their intellectual capacity, were Dr. Thomas Brown and Archbishop Whately: ... It cannot be denied that both Dr. Brown and Archbishop Whately would have thought and written better than they did, if they had been better read in the writings of previous thinkers: but I am not afraid that posterity will contradict me when I say, that either of them has done far greater service to the world, in the origination and diffusion of important thought, than Sir W. Hamilton with all his learning: because, though indolent readers, they were, both of them, active and fertile thinkers. (Mill, IX, p.497)

Notwithstanding this, our immediate task in this chapter, is to show, accepting “the heyday of Classical economics was during the years 1800-1850” (O’Brien, 2004, p1), that even during this period economics was often under attack, particularly being charged with inconsistency as to what it purported to study.<sup>56</sup>

As we shall show, Hodgskin had addressed such criticisms when he initially wrote on economic issues in the 1820.s. However, before looking at Hodgskin’s defence of political economy, it is worth understanding his position within the school of classical political economy, as a prelude to an appreciation of his methodological approach.

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<sup>56</sup> O’Brien’s *The Classical Economists Revisited* (2004) has been cited as an exemplar of the current understanding of historians of political economic thought upon the subject of classical economics, to which we can compare Thomas Hodgskin. O’Brien is an especially useful reference point not only for his work on classical political economy as a whole, but also his specialisation upon Hodgskin’s erstwhile friend and notable contemporary, John Ramsey McCulloch. Not only did O’Brien oversee, introduce and annotate the *Collected Works of J.R. McCulloch*, but his *J. R. McCulloch, A Study in Classical Economics* (1970) also illustrates his expertise of political economy in the first half of the 19<sup>th</sup> century.

# Section One

## Hodgskin's Methodology

### Hodgskin as a Classical Economist

Rather than being a Classical economist in the sense that O'Brien categorised Hodgskin can be seen as "one of the offshoots of Classical economics rather than a part of it" (O'Brien, 2004, p.xvi).<sup>57</sup> The distance between Hodgskin and his contemporaries is of interest here with regards to whether this was a theoretical or cultural separation, or resulted from something more concrete.

O'Brien concluded that although "the Classical economists formed something of a cross-section of society", they "still managed to form what was ... a surprisingly close-knit group" (O'Brien, 2004, p.12). This, in part, he put down to institutional links, the most important of which was the Political Economy Club (ibid, p.13). Although Hodgskin was personally known to several members of this Club, such as James Mill, McCulloch and *The Economist's* founder (and Hodgskin's employer) James Wilson, Hodgskin never became a member of this or of the other institutions that O'Brien mentioned with regard to this group - "the (Royal) Statistical Society, the British Association, and the Royal Society" (ibid).

O'Brien also noticed the journalistic connections between the Classical economists as "Probably equal in importance to the institutional links between the Classical economists were those afforded by periodical literature" (ibid, p.15). Again it should be noted that despite his career as a journalist, apart from

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<sup>57</sup> O'Brien did not refer to Hodgskin in *The Classical Economists Revisited*, although he did refer to two other later "offshoots"—Marx and Henry George (O'Brien, 2004, p.xvi). Also left unmentioned were that group of economists misleadingly associated with Hodgskin, the Ricardian Socialists.

On several occasions O'Brien referred to James Wilson, the founder of *The Economist*, and his opposition to the 1844 Bank Act (often in conjunction with J.S. Mill), but without reference to Hodgskin, who would have been writing many of the appropriate articles in *The Economist*.

his one article on naval discipline in the *Edinburgh Review* (Oct. 1824), Hodgskin failed to get accepted as a writer for any of the monthly and quarterly periodicals. Despite his eventual success on *The Economist*, Hodgskin had to be content with journalism on the less weighty weekly and daily newspapers.

Never having attained an academic position, Hodgskin's career did not encompass any significant period of teaching.<sup>58</sup> In contrast, Hodgskin's acquaintance from his student days in Edinburgh, John Ramsey McCulloch, who was accepted by the "establishment" and the Classical school, became "the first holder of the professorship of political economy at University College, of the University of London" (Dorfman, 1966, p.6).<sup>59</sup>

This lack of academic experience would not of itself have been sufficient to exclude him from the mainstream of Classical economics as the academic credentials of these economists were quite varied.<sup>60</sup>

There were "On the other hand, many of the Classical economists [who] had neither university education nor employment" (O'Brien, 2004, p.10). However these self-educated economists tended to be privileged by resources or careers that permitted the pursuit of their interest in economics.<sup>61</sup>

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<sup>58</sup> Especially when compared to others such as John Craig, Samuel Read and McCulloch in Edinburgh; Whately, Senior and William Foster Lloyd at Oxford; Malthus, Richard Jones and George Ramsay at Cambridge; as well as John McVickar, Thomas Cooper, and Francis Wayland, the earliest economics lecturers and Professors in the USA.

<sup>59</sup> When David Stack referred to McCulloch as "the first professional economist" (Stack, 1998, p.27) he presumably meant outside of a solely academic environment as his academic lecturing was not his only source of income. McCulloch eventually established a more profitable and less anonymous journalist career than Hodgskin was able to do.

He was a successful journalist and a good popular lecturer, and his audiences were composed largely of businessmen, statesmen, and would-be statesmen. In fact McCulloch made his living – and a good living – primarily by his lectures and writings until in 1838, the Whig government gave this "Whig of Whigs" the post of Comptroller of His Majesty's Stationery Office (Dorfman, 1966, p.6).

<sup>60</sup> As O'Brien pointed out, these credentials were far more diverse than the latter neo-classical economists – "It was a characteristic of neo-Classical economics that its practitioners, from the 1870s onwards, were largely academic, both by employment and (to some extent at least) by cast of mind" (O'Brien, 2004, p.9).

<sup>61</sup> Such as David Ricardo, James Mill, Robert Torrens (retired Royal Marine, MP and owner/editor of *The Globe* newspaper), Thomas Joplin (retired Royal Marine, Banker

## Hodgskin's Lecturing

Hodgskin's only known formal public lectures on political economy were the four he gave at the London Mechanics' Institute in September and October 1826.<sup>62</sup>

It in this context it is interesting to note that Thomas Hodgskin's offer, 1825, to lecture at the newly founded London Mechanics Institute was declined in consequence of a warning given by Francis Place to George Birkbeck about the heterodox nature of Hodgskin's economic opinions, while William Ellis was invited to lecture in Hodgskin's stead. (Thompson, 1984, p.60)

These initial lectures on political economy at the Mechanics' Institute by both Hodgskin (in 1826) and William Ellis (in 1825) were not acknowledged in the book published to officially commemorate the 30<sup>th</sup> anniversary of the establishment of the London Mechanics' Institute – James Hole's *An Essay on*

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and sometime newspaper proprietor), George Poulet Scrope (MP and geologist), Lord Henry Brougham (MP and later Lord Chancellor), Samuel Bailey (Sheffield merchant and later Banker), Charles Knight (publisher and writer), John Rooke (farmer and geologist) and Charles Hall (Sheffield doctor). For the co-operative and early socialist movements Robert Owen (industrialist) and William Thompson (Irish landlord) can also be seen as independently privileged.

Thomas de Quincey seemed to have been in a position comparable to Hodgskin in terms of using his economic writings as a basis for his working career. There were also others, such as Charles Forester Cotterill, of whom very little is known and who may well have been in a position akin to Hodgskin.

The identity of Piercy Ravenstone (along with Hodgskin the least socialist of the so-called Ricardian Socialists) has been the subject of some discussion. For example, Dorfman claimed that this pseudonym may have been used by Edward Edwards, the *Quarterly Review's* main contributor on economics between 1823 and 1830 (Dorfman, 1966, p.17). However this would seem at odds with the *Quarterly Review's* less than complimentary review of Ravenstone's second work, *Thoughts on the Funding System* (1824), which might seem to debar Ravenstone from consideration as one of its reviewers;

Mr Ravenstone, indeed, is exceedingly unfortunate in having, almost in the very outset of his work, fallen into a mistake, which at once shows that he has read the books of other men without understanding them, and makes it no matter of surprise that he should produce one which no other man but himself (we make the exception in courtesy) can possibly understand. (*QR*, March 1825, p.312)

In the *Works and Correspondence of Ricardo* Ravenstone was identified as Richard Puller, of whom "little else is known" other than who were his father and brother, and some other family details. (Ricardo, XI, p.xxviii)

<sup>62</sup> A report from the *Register of the Arts and Sciences* recorded the Mechanics Institution's Quarterly Managers' Report of 6<sup>th</sup> Sept. 1826, thus:

The Report, in allusion to the subject of Lectures, stated that, on Wednesday, the 13<sup>th</sup> instant, Mr. Thomas Hodgskin will commence a course of Lectures on the Productive Powers of Human Labour, which will occupy four successive Wednesdays. (RAS, 16<sup>th</sup> Sept., 1826, p.183)

*the History and Management of Literary, Scientific and Mechanics' Institutes* (1853). Hole's work also provided an example of the continuing negative attitude towards political economy at that period.

This subject [political economy], both from its own importance and the peculiar view we take of it, requires more than a passing remark. Dr. Chalmers, many years ago, recommended its introduction into Mechanics' Institutions. If we differ from so great an authority, it is not because we underrate the importance of the subject, but because practical experience has shown that as yet opinion is too much divided, and party feeling too strong, to permit them to be discussed with calmness. ... However valuable lectures on political economy would be, therefore, the time has not yet arrived when they can be offered with advantage; ... This course has not been, and cannot be, adopted in Mechanics' Institutes (Hole, 1853, p.65-6).<sup>63</sup>

These comments might go some way to explain E.P. Thompson's comments, in *The Making of the Working Class* (1963), regarding the early relationships between the London Mechanics' Institute, political economy and Hodgskin :-

The crucial conflicts took place on the questions of control, of financial independence, and on whether or not the Institutes should debate political economy (and, if so, whose political economy). Thomas Hodgskin was defeated in the latter conflict by [Francis] Place and [Henry, later Lord] Brougham. (Thompson, 1963, p.818)

Nevertheless in those first few years after the establishment of the Mechanics' Institute Hodgskin did lecture on various subjects. He delivered a lecture series

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<sup>63</sup> James Hole (1819-1895) was a socialist activist with particular interest in working class education. His *Lectures on Social Science and the Organisation of Labour* (1851) received a short review by Hodgskin in *The Economist*, which left little doubt of the difference of political opinion between the two of them and perhaps shows that Hole would not have approved of the political economy that Hodgskin had lectured upon.

Mr Hole infers that it is the duty of authority to regulate more, and regulate better. He is an opponent of *laissez faire*, or of natural organisation and natural order; and because in old times politicians have superinduced on them a political organisation and a political order, pregnant with mischief, he would now have the Socialists try their hands at a pet scheme of political government. All his fine, eloquent observations and apt quotations are pervaded and vitiated by the fundamental error of aiming to regulate society because politicians have aimed to regulate it and have most signally failed. (Hodgskin, *E.*, 1<sup>st</sup> March 1851, p.235)

This passage is also worthy of note for its alignment of the term *natural* with *laissez faire*, and by implication the un-natural or artificial with political organisation of market or economical activity.

*On Mind*, as well as lectures on *General Grammar* and *The Progress of Society* (Hodgskin, 1827, p.xvii; Halévy, 1956, p.91; Stack, 1998, p.138).<sup>64</sup>

### **The Progress of Society**

Given that Hodgskin's attitude towards progress is pivotal to this thesis, it is of great regret that his lectures on *The Progress of Society* were only ever mentioned in passing and that only one short commentary appears available as to their content.<sup>65</sup> As will become evident Hodgskin's concept of human progress was of an inevitable advancement of the human condition.

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<sup>64</sup> Other lectures by Hodgskin were given and well received:

Mechanics Institution:- A course of lectures on the subject of "Mental Physiology" or "Metaphysics" has been lately commenced by Mr. Thomas Hodgskin. This gentleman has, our readers will probably know, already favoured the Members of the Society with a course of lectures on "Political Economy" and their substance has appeared in a very successful work, entitled, "Popular Political Economy." He is also the author of (very generally and justly admired) "Travels in the North of Germany" and a very recent work called "The Word *Belief* Defined and Explained." The best praise that we can bestow on the two lectures already delivered by this gentleman, and the best proof that they are deserving of it is, that they have obtained equal success to those on Political Economy. The theatre was crowded on both evenings, and the attention paid by all present. His next lecture will be "on the Senses of Smell and Taste." (*BL*, 20<sup>th</sup> January, 1828, p.1)

Commenting on the first of this series of lectures, the *Morning Chronicle* had noted that:

By means of various illustrations, he [Hodgskin] kept his numerous audience alive till the close of the lecture, when the general satisfaction was manifested by very considerable applause. (*MC*, 14<sup>th</sup> Jan. 1828)

<sup>65</sup> The *Morning Chronicle* of 4<sup>th</sup> August 1829 contained a short article entitled *The Past and the Present* with sub-heading of "(from Mr. Hodgskin's Lectures on the Progress of Society at the Mechanics Institution)". This piece contains two themes; firstly using the example of fire it is noted that in ancient times fire was given an almost holy standing compared to our almost dismissive modern attitude:

We procure it so easily that we are rather careful to extinguish than to preserve it; but, in Ancient Rome, some of the choicest of its maidens, under [the] name of Vestals, were appointed to cherish and keep alive [the] sacred flame. (*MC*, 4<sup>th</sup> Aug. 1829)

Secondly, it was noted that although ancient monuments might seem more magnificent than modern efforts, those of the far past were "executed by the hands of slaves" for;

the tasked and force labour of a whole nation directed to gratify the vanity of one man, or build up some proud memorial of slavery or superstition. (*ibid*)

These ancient monuments were contrasted with modern technology such as the Eddystone lighthouse that were produced for the benefit of all, under far greater levels of freedom and better living standards for the whole of society. Thus those that

the progress of society is one continual stream of improvement, however much at variance with it temporary aberrations may appear to our short-sighted view. (Hodgskin, *BG.*, 12<sup>th</sup> March 1862);

When we refer to progress in this thesis, unless it is specifically indicated otherwise, it is expressly in the sense for example stipulated by J.B. Bury in *The Idea of Progress, an Inquiry into its Origin and Growth* (1920):

You may conceive civilisation as having gradually advanced in the past, but you have not got the idea of Progress until you go on to conceive that it is destined to advance indefinitely in the future. (Bury, 1920. p.7)

It is in this sense that Hodgskin used the term *progress*.

### **Political Economy as a Tool**

From 1823 until his death Hodgskin was primarily a journalist who wrote most notably upon political economy. Although his career culminated with his writings for the *Brighton Guardian* (1861-1868), it reached its zenith with his appointment, as the economics editor on *The Economist* (1844-1857).<sup>66</sup>

Hodgskin was a working journalist and activist for whom economics was essentially a tool within his agenda for social and political progress. Hodgskin's interest with political economy was not the result of his journalistic career – as his letters to Francis Place between 1816 and 1823 show. His travelogue *Travels in the North of Germany* (1820) also contained many early expressions

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lamented the passing of the times of magnificent ancient monuments were just living in the past and missing the real advances society had made.

<sup>66</sup> In this way Hodgskin's career was similar to his successor at *The Economist* – Walter Bagehot – who like Hodgskin wrote and published on social and political topics as well as practical and scientific economics.

It is also worth noting that although Hodgskin worked for the publishers Knight and Lacey in the 1820.s on various publications (such as *The Mechanics' Magazine* and *The Chemist*), and that they published *Labour Defended* in 1825, we do not know whether he was involved with their short-lived *The Economist* (1824-1825). Knight and Lacey's *The Economist* had no relationship to the more famous *Economist* which Hodgskin eventually did work upon. Nor is there any reason to believe Hodgskin had any involvement with Thomas Joplin's *Economist* – “In 1837, Thomas Joplin had founded a short-lived publication by that name” (O'Brien, 2004, p.17)

of his economic concerns. The other key topic for Hodgskin was legislation as it concerned human welfare and progress.<sup>67</sup>

When Hodgskin defended political economy it was as a method for working class liberation, as much as an academic or intellectual pursuit in itself.

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. ... The theory on which profits are claimed, and which holds up capital, and accumulation of capital to our admiration as the mainspring of human improvement, is that which I say the labourers must, in their own interest, examine, and must, before they can have any hope of a permanent improvement in their own conditions, be able to refute. (Hodgskin, 1825, p.5)<sup>68</sup>

In his early writings, Hodgskin addressed two fields of enquiry, which we might identify as the internal and external debates regarding political economy.<sup>69</sup>

The internal debate centred on questions upon the subject matter within the discipline of political economy. However, what might be seen as external enquiries challenged the relatively new discipline in the early part of the nineteenth century.<sup>70</sup> In these outward looking deliberations political economy was the subject matter of discussion within a larger debate that we would nowadays call Social Sciences, but was then more generally seen as encompassed by Moral Philosophy.

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<sup>67</sup> As Senior noted:

The writer who pursues such investigations is in fact engaged on the great Science of legislation: a Science which requires a knowledge of the general principles supplied by Political Economy, but differs from it essentially in its subject, its premises, and its conclusions. The subject of legislation is not Wealth, but human Welfare. (Senior, 1836, p.2)

Whilst this thesis is concerned with Hodgskin's economics, it would be impossible to avoid the influence that Hodgskin's position on legislation had upon the narrower concern of political economy.

<sup>68</sup> The word "admiration" in the 1825 and 1831 editions was reproduced as "administration" in the 1922 (Cole) re-typeset edition of *Labour Defended* (1922, p.28): this changed the emphasis of the sentence in this later version.

<sup>69</sup> George Opdyke, in his *A Treatise on Political Economy* (1851), having discussed the subject matter of political economy then referred to "what may be termed the external relations of Political Economy" (Opdyke, 1851, p.13).

<sup>70</sup> It is our intention to limit, in general, our enquiries (in this chapter) to the period up to the early 1850.s, to include John Stuart Mill's *Principles of Political Economy* (1848), and an article entitled *Free Trade* in the *Quarterly Review* for December 1849.

These external enquiries covered such concerns as the legitimacy of the study of political economy as a defensible or worthwhile intellectual pursuit.<sup>71</sup>

Also at issue was the consideration of which subject matters should be encompassed or excluded from political economy; along with questions as to what end and method the discipline should be applied. Together these matters were more than a simple attempt to define the term “political economy”; they were fundamental to the whole project of political economy and as such their consideration is essential to a contextual appreciation of Hodgskin’s writing and ideas.

David Stack claimed that “Malthusianism and political economy were synonymous” and that it was “imperative for radicalism to reject not just Malthusianism, but the whole of the new science of political economy” (Stack, 1998, p.28).<sup>72</sup>

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<sup>71</sup> Within the context of this questioning of political economy, physiocratic notions still persisted in some contemporary criticisms. Some argued that political economy, as it had evolved since Adam Smith, not being centred upon land as the source of all wealth, was not only misguided and erroneous, but thereby potentially a dangerous application of intellect and effort. Hodgskin noted the persistence of these notions of land being the source of wealth;

Familiar and correct as the principle, that all wealth is the produce of labour, may appear, the opinion just referred to, that land is the source of wealth – which is the fountain of much injustice towards individuals, and much national animosity, it having been the occasion of several wars, and the excuse for much usurpation – shows that this principle is not universally recognized. (Hodgskin, 1827a, p.20)

There were two main works in the 1820.s that continued the argument that land was the source of wealth – Williams Spence’s *Tracts on Political Economy* (1822), which reproduced his *Britain Independent of Commerce* (originally published in 1807 and replied to in 1808 by James Mill’s *Commerce Defended* and Torrens’ *The Economists Refuted*), as well as *Agriculture the Source of Wealth* and *The Objections against the Corn Bill Refuted* (both originally published in 1815); and *Outlines of a System of Political Economy* (1823) by Thomas Joplin (1790-1847):

The produce of the soil, on the contrary, possess an inherent value – a value derived from itself. It produces men, and men produce gold. It creates its own demand, which gold does not. (Joplin, 1823, p.101)

Joplin’s comments might seem a singular oddity if it were not for his later credibility founded on his banking and currency tracts, which lead him to become a leading light and theorist of the Bullion/Currency School, which eventual won the day, in banking policy terms. Joplin became a successful banker and founded the National Provincial Bank.

<sup>72</sup> J.S. Mill also seems to have associated the two forms together:

Hence when Stack later referred to Hodgskin's "rebuttal of political economy" (ibid, p.147) he underplayed Hodgskin's commitment to political economy, and lost the distinction between those who, like Hodgskin, were critical of doctrines internal to political economy and others such as Piercy Ravenstone and *The Quarterly Review* that were critical of the whole concept of a science of political economy.

The attitude towards political economy represented one of the most marked distinctions between Ravenstone and Hodgskin. Both were anti-Malthusian and shared similar concepts of capital (as social relations rather than simplistic material wealth), but their attitudes to both political economy and property differed. For Ravenstone political economy was a "vile illiberal study" (Ravenstone, 1824, p.72); as such "political economy has accordingly become the study of all those who felt themselves unequal to other pursuits." (ibid, p.5)

In *The People's Science* Noel Thompson recognised the "great emphasis" placed by William Thompson, John Gray and Hodgskin "on the need for the working classes to confront and defeat the political economists with the constructs, concepts and analytical tools of political economy" (Thompson, 1984, p.12).

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we need not wonder that the epithets of "Malthusians" and "Political Economists" are so often considered equivalent to hard-hearted, unfeeling, and enemies of the poor; – accusations so far from the being true, that no thinkers of any pretensions to sobriety, cherish such hopeful views of the future social position of labour, or have so long made the permanent increase of its remuneration the turning-point of their speculations, as those who most broadly acknowledge the doctrine of Malthus. (Mill, *ER*, April 1845, p.502: also IV, p.368)

J.S. Mill's wholehearted acceptance of Malthusian population theory can be seen in his comments at the Utilitarian debates with the Owenites in 1825:

That principle [of population] appeared to rest upon evidence so clear and so incontrovertible, that to understand it, is to assent to it, and to assent to it once is to assent to it for ever. I flatter myself, that I understand it completely; I assented to it without any reservation; and I could not have believed that any discussion could have rendered my comprehension of it more clear, or my assent to it more confident and undoubting. Sir, that which I did not conceive to be possible has actually come to pass: I have been strengthened in my opinions by the discussion which they have undergone. (Mill, XXVI, p.288)

This is one important issue (that related to political economy) where we find J.S. Mill and Hodgskin expressing opposed opinions. Although, as we shall discuss later, Mill's opinion (expressed at about the same time as those above) on the subject of progress could be seen as contradictory to Malthusian population theory.

We cannot acknowledge, therefore, that we are incapable of ascertaining and understanding the natural laws which regulate the progress of society, without giving into the hands of one class of men the power of interpreting them according to their own views and interests. If we will not inquire into these laws, preferring a blind submission to some of our fellow-creatures, we surrender unto them the disposal of all that is valuable in existence: and we know from all experience, that such a power has never been possessed but to be abused. (Hodgskin, 1827a, p.263)

Thompson reiterated this passage and hence summed up Hodgskin's attitude towards political economy:-

Thus Hodgskin saw political economy as a powerful instrument which, by establishing and interpreting the "natural laws" of economic life, could, in effect, define the economically possible and the economically efficacious. That the efficacious and the possible should be defined by "one class of men" according to "their views and interests" was not acceptable. Such competence should not be the exclusive possession of one class. For Hodgskin, political economy was too important to be left to the classical political economists. (Thompson, 1984, p.12)

### **J.S. Mill and Hodgskin**

When commenting on the Classical economists that followed Ricardo, O'Brien categorised J.S. Mill as "the most important of these [later Classical] economists" (O'Brien, 2004, p.52). There can be little doubt that of all the contemporary prominent economists who might be deemed as Classical it was J.S. Mill that Hodgskin seemed to have favoured most. His review of Mill's *Principles of Political Economy* for *The Economist* whilst acknowledging various areas of dispute, was nonetheless complimentary:

a work which is undoubtedly the most complete exposition of the whole subject which has yet issued from the press (Hodgskin, *E.*, 27<sup>th</sup> May 1848, p.604)<sup>73</sup>

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<sup>73</sup> These comments may be seen as very positive, especially if compared with Hodgskin's remarks upon Ricardo's *Principles* – "Mr Ricardo was more acute than learned; his observation was far superior to his knowledge" (Hodgskin, *E.*, 28<sup>th</sup> Nov. 1846, p.1557). This almost aggressive style was more typical of Hodgskin's *Economist* writings;

Hodgskin certainly added depth, scope and erudition to the literary pages along with a sharpness and combativeness that suited the paper's style (Dudley, 1993, p.128)

Thus from Hodgskin's comments upon Mill's *Principles* we can assume that there must have been some alignment between the two. Accordingly we should also be aware of several threads of connection between Mill and Hodgskin.

It is evident that J.S. Mill knew of Hodgskin, although following the deliberate attempts by James Mill and Lord Brougham to suppress any mention of Hodgskin or his ideas, Hodgskin is conspicuous by his absence from J.S. Mill's works. Hodgskin's *Labour Defended* is mentioned only in passing without naming its author in Mill's *Reorganization of the Reform Party* originally published in the April 1839 edition of the *London and Westminster Review* (Mill, VI, p.485).<sup>74</sup>

Whilst Hodgskin never seems to have admitted to his anarchism which we, and others, have subsequently gathered from his writings, J.S. Mill was, at least in his youth, not so reticent;

I am content however that they should call me radical, revolutionist, anarchist, Jacobin, if they please. I am content to be

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Hodgskin's successor at *The Economist*, Walter Bagehot had written a review of Mill's *Principles* for *The Prospective Review* that was akin to Hodgskin's in its favourable view of Mill's worth and talents

He [Mill] is the first among great English Economists who has ventured to maintain, that the present division of the industrial community into labourers and capitalists is neither destined nor adapted for a long-continued existence: that a large production of wealth is much less important than a good distribution of it: that a state of industry in which both capital and population are stationary is as favourable to national well-being as one in which they are advancing: that fixed customs are perpetually modifying the effects which unrestrained competition would of itself inevitably produce: that a large body of peasant proprietors is usually a source of great national advantage: and that a system of Emigration on a great scale would be productive of much benefit to the English peasantry by raising their habitual standard of comfort, and therefore putting a check on the reckless increase of a miserable population. These propositions (which are not all that might be set down) will be enough to prove that the subject we have selected for discussion with Mr. Mill contains a sufficient number of his peculiar opinions, and therefore asking our readers to acquiesce in our selection of a special topic, we shall pass on to the general and introductory portion of our article. (Bagehot, 1848, p.460)

<sup>74</sup> Mill's *The Claims of Labour* for the *Edinburgh Review* (April 1845) also referred to Charles Knights *Rights of Industry* (1831) which named Hodgskin in its direct attacks upon him. It would be impossible to read Knight's *Rights of Industry* without knowing it was a criticism of *Labour Defended* and *Popular Political Economy*.

treated as an enemy to establishments, to institutions, and to order. (Mill, XXVI, p.262)<sup>75</sup>

We can also see from an early stage Mill expressed views very similar to Hodgskin in terms of human perfectibility;

I mean no disrespect to some highly estimable persons, who are of a different opinion from myself on this question [of perfectibility], but I am persuaded that a vast majority of those who laugh at the hopes of those who think that man can be raised to any higher rank as a moral intellectual being, do so from a principle very different from wisdom or knowledge of the world. (Mill, XXVI, p.429)<sup>76</sup>

Whilst in this speech Mill praised Condorcet's notion of perfectibility, he still subscribed to Malthus's population principle, which was initially written as a direct rebuttal of Condorcet and Godwin's concepts of perfectibility.<sup>77</sup>

Mill, although maintaining diminishing returns for agriculture, was able to accept that in industry increasing technology would ensure long run increasing returns.

[Mill] tried to incorporate Ricardo's work into his own, though in so doing he emasculated the former more or less completely. Thus he [Mill] still had the concept of diminishing returns in agriculture, but modified it so much by the possibilities of technical progress that it ceased to be a fundamental proposition. It was, he believed, only a valid proposition in a given state of technical knowledge; and he gave many reasons why it should be offset by changes in technical knowledge. (O'Brien, 2004, p.52-3)<sup>78</sup>

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<sup>75</sup> Taken from a speech on *Parliamentary Reform* – August 1824.

<sup>76</sup> Taken from a speech on *Perfectibility* – 2<sup>nd</sup> May 1828.

<sup>77</sup> In his later review of *The Claims of Labour* Mill recognised the paradox of Malthus's population theory as it related to progress and claimed that, in the early editions of the *Essay on Population* Malthus had drawn the incorrect conclusion – “The first promulgator of a truth is not always the best judge of its tendencies and consequences;” (Mill, *ER*, April, 1845, p.500: also IV, p.367). Thus Mill claimed that contrary to Malthus' early claims, the population theory inevitably lead to the concept of “indefinite social improvement” (ibid).

Mill did not mention Godwin who was still at that time a social outcast due to his views and practise regarding marriage. Given Mill's later entanglement with Mrs Taylor, it is perhaps fortunate that he avoided any association with Godwin.

<sup>78</sup> Although, as O'Brien noted, there are passages in Mill's *Principles* that admit improved returns even in agriculture, e.g.

During the twenty or thirty year last elapsed [till 1857], so rapid has been the extension of improved processes of agriculture, that even the land yields a greater produce in proportion to the labour employed. (Mill, II, p.193)

This is an issue that we will return to later in this thesis.

### **The Education of Hodgskin and Mill**

Hodgskin might be seen to have had an advantage over J.S. Mill in having attended university, whereas Mill did not receive any formal institutional education. It seems that James Mill was reluctant to expose his son (John) to a university education (Burston, 1973, p.90), although “there is plenty of strong evidence that James Mill strongly favoured a period of living abroad as part of an education” (ibid, p.88).

Hence in one particular regard the education that Hodgskin and Mill received coincided quite notably. Jeremy Bentham and James Mill played significant roles in Hodgskin’s post-naval education, as they did in J.S. Mill’s late-teen instruction. In *James Mill on Philosophy and Education* (1973) the guidelines given to Hodgskin by James Mill and Bentham are reproduced in full as illustrative of the instructions that would have been given to J.S. Mill (Burston, 1973, p.93-6).

Despite the instructions received by Hodgskin being for his German expedition, whilst J.S. Mill’s travels were mainly in France, there were similarities with Hodgskin’s earlier travels to France (as the companion to Francis Place’s son). Both Mill and Hodgskin stayed at the French homes of Jeremy Bentham’s brother (Sir Samuel Bentham) and J.B. Say (in Paris). Both Hodgskin and Mill attended (separately) Say’s lectures on economics in Paris.

When Hodgskin finally returned to London (from his second period in Edinburgh) in 1823, James Mill arranged for him to be given a job for the *Morning Chronicle*. This was the same year that John Stuart Mill had also begun his career writing for that journal.

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In a society which is advancing in wealth, population generally increases faster than agricultural skill, and food consequently tends to become more costly; but there are times when a strong impulse sets in towards agricultural improvements. Such an impulse has shown itself in Great Britain during the last twenty or thirty years. In England and Scotland agricultural skill has of late increased considerably faster than population, insomuch that food and other agricultural produce, notwithstanding the increase of people, can be grown at less cost than they were thirty years ago [from 1848]: (Mill, III, p.713)

## Mill and Socialism

There is much in J.S. Mill's writings that can be positively associated with socialism or "to a qualified Socialism" as Mill referred to it in his *Autobiography* (Mill, 1873, p.161). These include Mill's 1845 *Edinburgh Review* article *The Claims of Labour*, various portions of his *Principles*, as well as the posthumously published *Chapters on Socialism* (1879). The first of these expressed the need to treat labourers using terms similar to Hodgskin;

if we might point to the principle on which, at some distant date, we place our chief hope of healing the widening breach between those who toil and those who live on the produce of former toil; it would be that of raising the labourer from a receiver of hire – a mere bought instrument in the work of production having no residual interest in the work itself – to the position of being, in some sense, a partner in it. (Mill, *ER*, April 1845, p.516: also IV, p.382)

As Mary Agnes Hamilton remarked, Mill's socialism was an individualistic rather than a state socialism (Hamilton, 1933, p.66-67), again this is comparable to Hodgskin's position (at least with regard to the individualism), which was, like Mill's, critical of the "socialism" of Owenites, St. Simonians, and Fourier's followers. Again like Hodgskin, Mill expressed views in support of private property and competition.<sup>79</sup> The same methodological individualism seems to have been of the utmost import to Hodgskin and Mill. In some regards Mill (especially in his later writings) was more "socialist" than Hodgskin as indicated by this passage from Mill's *Principles*:

I agree, then, with the Socialist writers in their conception of the form which industrial operations tend to assume in the advance of improvement; and I entirely share their opinion that the time is ripe for commencing this transformation, and that it should by all just and effectual means be aided and encouraged. But while I agree

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<sup>79</sup> The advantages of private property had also been extolled by William Godwin. In his essay which spawned Malthus's *Principle of Population, Of Avarice and Profusion*, Godwin was critical of the state directed allocation of productive resources and rewards that tended towards equality. Thus when men "have their portion of labour assigned to them by the society at large, and the produce collected into a common stock" :-

It reduces the exertions of a human being to the level of a piece of mechanism, prompted by no personal motives, compensated and alleviated by no genuine passions. It puts an end to that independence and individuality, which are the genuine characteristics of an intellectual existence, and without which nothing eminently honourable, generous or delightful can in any degree subsist. (Godwin, 1797, p.168-9)

and sympathize with Socialists in this practical portion of their aims, I utterly dissent from the most conspicuous and vehement part of their teaching, their declamations against competition. (Mill, 1909, p.792: also III, p.794)

There were areas such as Mill's support for Malthus' population principle, the death penalty and for representative government that Hodgskin would never have assented to. The Wage Fund theory, which for so long held Mill's commitment, was always attacked by Hodgskin, (although Mill did eventually recant following works by Longe and Thornton, but not until the year that Hodgskin died – 1869).<sup>80</sup>

Thus not only was J.S. Mill the most prominent economist of the 1840.s and 1850.s but he was not too far from Hodgskin with some of his notions, and they also shared some aspects of their backgrounds.<sup>81</sup>

### **Subsequent Subjects**

With Hodgskin's approach to political economy in mind the remainder of this chapter will aim to address four issues pertinent to Hodgskin's political economy, especially as presented in his earlier writings.

- Whether political economy was an art or a science or both.
- Hodgskin's defence of political economy.
- What was encompassed as the subject matter within political economy.
- Why labour was so crucial to Hodgskin's political economy.

These issues will be considered with regard to Hodgskin's writings and those of contemporary political economists of that period.

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<sup>80</sup> Indeed Francis Longe's *A Refutation of the Wage-Fund Theory* (1866) contains numerous arguments reminiscent, to some degree, of those in Hodgskin's *Labour Defended*, especially with regards to the advance of capital. Hodgskin's *Economist* review of McCulloch's *A Treatise on the Rate of Wages* (27<sup>th</sup> Dec. 1851) contains a concerted criticisms of the Wage Fund theory (this will be dealt with in more detail in our consideration of Hodgskin's concept of labour).

<sup>81</sup> Even down to the fact that J.S. Mill was born in Pentonville, the same area that Hodgskin resided in during the time he lived in London. When Hodgskin moved to London in 1813 and made acquaintance with Bentham and James Mill he would have been close to the Mills and would presumably have known of the infant John Stuart Mill.

## Section Two

# Political Economy as a Science

### Agenda

This section illustrates how, before it was the commonly held position, Hodgskin viewed political economy as an objective or at least non-judgemental science distinct from the prevalent view that in the 1820.s encompassed the art or practical management of economic affairs within the discipline. We also show how during the period up to the 1840.s this previously commonly held view was replaced by a stance more akin to Hodgskin's.

### Art or Science

If the teacher of Political Economy have not decided whether he is engaged on a science or an art, whether it is his duty to explain phenomena or to deliver precepts, whether his principal business is to observe facts or deduce inferences, whether his premises are all physical truths or depend on partly or arbitrary assumptions, – his work, though it may contain partial views of the highest value, cannot possibly form a clear or consistent whole. (Senior, 1852, p.16)

By 1844 John Stuart Mill held that political economy was “a science not an art” (Mill, 1844, p.125: also IV, p.313), however, two decades earlier, such an opinion was rarely propagated so confidently.<sup>82</sup>

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<sup>82</sup> Hodgskin, in his early writings did not provide a specifically direct demarcation between art and science, although towards the end of his life he agreed with Mill's earlier distinction (Hodgskin, *BG.*, 15<sup>th</sup> Feb. 1865). Mill had attempted to distinguish between art and science thus:

The one deals in facts, the other in precepts. Science is a collection of truths; art a body of rules, or directions for conduct. The language of science is, This is, or, This is not; This does, or does not, happen. The language of art is, Do this; Avoid that. Science takes cognizance of a phenomenon, and endeavours to discover its law; art proposes to itself an end, and looks out for the means to effect it. (Mill, 1844, p.125: also IV, p.312)

Political economy had been called a science before *The Wealth of Nations*, but a distinct demarcation between art and science had not been made. Hodgskin expressed the fundamentally scientific nature of political economy that, although he did not specifically differentiate science from art, seemed to emphasize the separation that others were to make and was to become the usual distinction of science from art.

In a lengthy passage in *Popular Political Economy* Hodgskin attempted to “relieve political economy from some of the odium cast on it of late”:

It [political economy] is not, as is generally supposed, a meddling, factious, ambitious science, – not a political science, prescribing regulations for society, or dictating duties to men; ... It does not pretend to say what men will do, but it says the consequences of their actions, some of which it endeavours to trace, are inevitable. It aims at ascertaining the natural circumstances which regulate the production of wealth, and it records some of those instincts

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Nassau Senior had also laid out his distinction couched in terms of art’s purposiveness, but added a temporal dimension:

Shortly, it may be said that, as a history is a statement of past facts, so a science is a statement of existing facts, and an art statement of the means by which the future facts may be caused or influenced, or, in other words, future events brought about. The first two aim only at supplying materials for the memory and the judgment; they do not presuppose any purpose beyond the acquisition of knowledge. The third is intended to influence the will. It presupposes that some object is to be attained, and points out the easiest, the safest, or the most effective conduct for that purpose. It is for this reason that the collection of related facts which constitute a science is generally a less complex thing than the collection of related precepts which constitutes an art. (Senior, 1852, p.18-9)

The opening lines of Sir James Steuart’s *An Inquiry into the Principles of Political Economy* (1767) were “I present to the public this attempt towards reducing to principles, and forming into a regular science, the complicated interests of domestic policy.” (Steuart, 1767, p.i) Steuart assumed the relationship between political economy and domestic economy that was still being repeated over fifty years later by, amongst others, James Mill and McCulloch, that – “What œconomy is in a family, political œconomy is in a state” (ibid).

Robert Torrens not only referred to political economy as a science, but also highlighted the disputed state of the discipline.

The controversies which at present exist amongst the most celebrated masters of Political Economy have been brought forward by a lively and ingenious author as an object against the study of the science. (Torrens, 1821, p.xiii)

In 1821 the “masters” would presumably have been Robert Malthus, David Ricardo, and James Mill; McCulloch could not be considered in this class in 1821. The “ingenious author” was probably a reference to Piercy Ravenstone and his *A Few Doubts on the Subjects of Population and Political Economy* (1821).

which lead man ... to seek happiness by means appropriate and peculiar to his condition. It presumes not to direct these instincts, but expressly declares that this is a matter for private judgment, and must be left to private men. It takes no notice of the arts of life; it does not pretend to explain the principles of mechanics, agriculture, or chemistry; it does not therefore point out, as is said by some authors, *the means* by which the industry of men may be rendered most productive. ... No man can say how industry may be rendered *most* productive; for this is the continually varying result of the practical knowledge of all mankind. Rejecting all notice of the arts, political economy can never inform us how the hand may be made skilful. The science observes the close connexion between individual gain and the general welfare; but *it* does not pretend to direct the operations of the merchant, the trader, or the farmer, any more than those of the engineer; ... The utmost extent of its utility in promoting opulence is, that statesmen may learn from it, ... how they may cease to check that production, which they, like the science itself, cannot possibly promote. (Hodgskin, 1827a, p.38-40)

A common conclusion in the 1820.s was that political economy should include those practical and policy recommending aspects that, in Hodgskin's opinion, should not be considered within a science of political economy.

For example, Nassau Senior, in his *Introductory Lecture on Political Economy*, published the same year as Hodgskin's *Popular Political Economy* (1827), still included the practical within political economy.<sup>83</sup>

the science of Political Economy may be divided into two great branches – the theoretical, and the practical. (Senior, 1827, p.7)

The discussions over whether a subject was a science or an art were not limited to political economy. In the first edition of *The Chemist*, there was an article

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<sup>83</sup> So contemporary were these two works that they both received their notice of publication on the same day in *The Times* – May 17<sup>th</sup> 1827. *Popular Political Economy* was favoured with one of its few complimentary reviews, which aligned Hodgskin with Smith but opposed him to Malthus:

The subject is not a very inviting one to the general reader, but we think that the manner in which Mr. Hodgskin has treated it deserves to be mentioned. In general, he subscribes to the doctrines of Adam Smith – whose principles he develops and applies with great precision and clearness. ... [He is] therefore decidedly opposed to the doctrine of Mr. Malthus. He is of the opinion that a dense population carries with it an ample compensation in an increased productive power, arising out of the number of labourers, the division of labour, and the increase of knowledge. (*The Times*, 15<sup>th</sup> June 1827, p.8)

entitled *Chemistry as a Science* in which Hodgskin commented on chemistry's transition from being an art, towards becoming a science:<sup>84</sup>

As long as Chemistry was a mere art, confined to producing a few results, of use only to a few practical Chemists, it was of no more general interest, however useful, than the art of house-building or shoe-making; but now, in addition to its utility as an art, it endeavours to explain most of the alterations, unaccompanied by perceptible motion, which take place in all the substances of the globe. (Hodgskin, C., 13<sup>th</sup> March 1824, p.11)

### Changing Attitudes

An illustration of political economists' changing attitudes to their science can be seen reflected in McCulloch's commentary on the practical implications of Ricardo's economics. In his article *Works and Character of Mr Ricardo* published in *The Scotsman* (6<sup>th</sup> Dec. 1823), McCulloch claimed of "the leading doctrines of Mr Ricardo's system of Political Economy" that:

They are not, as has been sometimes stated, merely speculative. On the contrary, they enter deeply into almost all the practical investigations of the science, and especially into those most difficult ones which relate to the distribution of Wealth. (McCulloch, SM., 6<sup>th</sup> Dec. 1823, p.778)

However, by 1846 it was evident that McCulloch's emphasis "upon the abstract character of the principles established by Ricardo ... contrasts with McCulloch's denial in 1824-25 of the allegation that those doctrines were 'merely speculative'" (Ricardo, X, p.370).<sup>85</sup>

The establishment of general principles being Mr Ricardo's great object, he has paid comparatively little attention to their practical application, ... But his is not a practical work: and it did not enter into his plan to exhibit the circumstance that give rise to the discrepancies in question [between principle and practical circumstances]. (McCulloch, 1846, p.xxv)

Robert Torrens' views between the 1820.s and 1840.s also changed, as he admitted in *The Budget* (1844). Once Torrens came to recognise Ricardo's

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<sup>84</sup> That this article was Hodgskin's was noted by David Stack: "Hodgskin wrote a series on the history of 'Chemistry as a Science'," (Stack 1998, p.81).

<sup>85</sup> It might be argued, from a reading of volume V of *The Works and Correspondence of David Ricardo*, that in his parliamentary debates Ricardo apparently believed that his principles were directly applicable to practical issues and problems. This was certainly one of the complaints made against Ricardo and political economy in general at this time, and until at least the 1850.s.

political economy as an abstract and hypothetical science, he was able to accept Ricardo's reasoning. This was in contrast to his criticisms in the third edition of his *Essay on the External Corn Trade* (1826).<sup>86</sup>

With the publication of *Outlines of the Science of Political Economy* (1836), Senior expressly excluded the "practical branch" from his description of the science of political economy.

We propose in the following Treatise to give an outline of the Science which treats of the Nature, the Production, and the Distribution of Wealth. To this Science we give the name of Political Economy. (Senior, 1836, p.1)

By 1836 practical questions were "of great interest and difficulty, but no more form part of the Science of Political Economy, in the sense in which we use the term" (Senior, 1836, p.2).<sup>87</sup> Indeed Hodgskin's concept of political economy as dealing with the laws of the production of wealth separated from the practical art of government, had not only been taken up by Senior, but was by some continental economists seen as the defining distinction of what was often seen as the English school of political economy.

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<sup>86</sup> Torrens recognised Ricardo's apparent confusion of the hypothetical and the practical:

In the works of that profound and original writer [Ricardo], more than those in any other writer of our times, Political Economy is presented as an abstract science. All his reasonings are hypothetical. His conclusions are necessary truths, irresistibly commanding assent under the premises assumed, and enabling us, if we will make the necessary correction for the difference between the hypothetical circumstances and the circumstances which actually exist, to arrive at conclusions practically true under all the varying conditions of society. It must be confessed, however, that this necessary correction Mr. Ricardo himself, not unfrequently failed to make. He enunciates, "with as little qualification as if they were universal and absolute truths," propositions which are strictly applicable to no circumstances save those involved in his hypothesis. This gives to his writings the appearance of paradox, and leads to the impression that his conclusions are at variance with facts. ... he occasionally fell into the fallacy of reasoning from his abstract principles as if they were absolutely true, and no modifying circumstances could exist (Torrens, 1844, p.xii-xiv).

<sup>87</sup> Senior gave examples of these practical questions as:

To what extent and under what circumstances the possession of Wealth is, on the whole, beneficial or injurious to its possessor, or the society of which he is a member? What distribution of Wealth is most desirable in each different state of society? And What are the means by which any given Country can facilitate such a distribution? (Senior, 1836, p.2)

The *Edinburgh Review's* article on Senior's *Outlines* noted the use of "the word chrematistics, so frequently employed in this controversy," (*ER*, Oct. 1837, p.74).<sup>88</sup> By way of example, the *Review* item reproduced some passages from an entry by "Professor Cherbuliez of Geneva" in the *Bibliothèque Universelle de Genève* (Dec. 1836) regarding Senior and his work.<sup>89</sup> Cherbuliez apparently perceived that -

the chrematistic tendency has become predominant, and even exclusive, with English economists; while those of the Continent have continued to treat economical questions under their double point of view. We may therefore consider modern economists as divided into two schools, (*ibid*, p.75).

A latter passage in the article laid out the distinction between the English and continental economists; that for the latter political economy included both the art and the science.<sup>90</sup> The article also claimed, as did Hodgskin, that the policy inference that laissez-faire was unavoidable:

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<sup>88</sup> This article provides a good contrast between the attitudes of *The Edinburgh Review* when compared with *The Quarterly Review* with regards to the issues of protectionism, free-trade (especially exemplified in the 1851 *Quarterly Review* article entitled *Free-Trade*), and laissez-faire policies in general. This *Edinburgh Review* article was apparently not written by McCulloch, as his last known article was in the previous edition, published in July 1837 (O'Brien, 1995h, p.415).

Senior's own articles (31 in all) appeared in the *Edinburgh Review* from July 1841 till April 1855 (Levy, 1970, p.313-4n)

<sup>89</sup> Presumably Antoine-Elisée Cherbuliez (1797-1869) - professor of public law and political economy. Cherbuliez received his own chapter (XXIII) in Marx's *Theories of Surplus Value* (1861-3) where he was equated, in part, to the Scottish economist George Ramsey (1800-1871).

<sup>90</sup> This passage bears similarities to Hodgskin's discussion of economics as a science, and also noted the difference between the political economy of Adam Smith and that of subsequent economists:

The English writers, or Chrysologists, as M. Cherbuliez would call them, or followers of Dr Smith (though his own definition of Political Economy differs widely from that of his successors), define their science as that of the laws which regulate the production and distribution of wealth. Their opponents say that it both investigates those laws, and, moreover, directs the legislator how to regulate distribution, so as to secure that proportion in the enjoyment of it which is most conducive to the general welfare. The foreign school (we term them so for convenience, although there are many English authors whose views assimilate to theirs) hold, that it is the office of the political economist to point out in what way social happiness may be best be attained through the medium of national wealth. Our own writers reply, that this is the province, not of the economist, but of the politician. ... We contend that the study is purely a science: our opponents, that it includes the practical

there can be no doubt of the one great practical conclusion to which the theories of English writers of the school in question, however conflicting in many points, tend with absolute unanimity. It is, That the “Laws which regulate the distribution of wealth between the different classes of society,” are principles with which it cannot be economically profitable for the legislative to interfere. (*ER*, Oct. 1837, p.78)<sup>91</sup>

Despite the similarities that existed in the introductory chapters of Senior’s *Outlines of Political Economy* (1836) and Hodgskin’s *Popular Political Economy* (1827), it would be unrealistic to claim that Senior was directly following Hodgskin. Senior would have been exposed to utilitarian radical ideas and to J.S. Mill’s articles on political economy that were later reprinted in Mill’s *Essays on Some Unsettled Questions of Political Economy*.<sup>92</sup> By the second half of the 1830.s, Hodgskin’s writings were limited to anonymous journalism and working class circles. Indeed it is far more likely that Hodgskin, Mill and Senior were all reacting to the changing consciousness of political economists to their still

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adaptations of the science to existing circumstance. In other words, that it is at once a science and an art. According to them, it is a deontology: according to us, an ontology only. (*ER*, Oct. 1837, p.77)

(The change to first person plural within the latter part of this passage is that of the original text which was all within a single paragraph.)

<sup>91</sup> This passage continued in a vein similar to Hodgskin’s policy assertions, especially his early position regarding The Spitalfields Acts, The Combination Laws and the Corn Laws, and might almost be said to be essentially Hodgskinite (particularly his *Economist* writings) in its exposition:

That in so far as the immediate productiveness of industry is concerned, every such attempt, however insidiously or plausibly framed, cannot but pro tanto diminish it. That whether the Legislature interfere with the free use of capital, by protecting duties, or with the contracts between capitalist and labourer, by combination laws – or with the contract between landlord and tenant, by restraints on alienation, &c. – in whatever shape, in short, the multiform spirit of restrictions may show itself, it cannot but produce precisely the same results as if the fertility of the earth, or the productiveness of labour, has been to a certain extent diminished. (*ER*, Oct. 1837, p.78-9)

<sup>92</sup> *On the Definition of Political Economy: and on the Method of Investigation proper to it*: was the fifth essay in Mill’s *Essays on Some Unsettled Questions*. The *Preface* noted that these “were written in 1829 and 1830, the fifth alone has been previously printed” (Mill, 1844, p.v). The editor’s notes in the *Collected Works of John Stuart Mill* detail this essay as having been first written in the autumn of 1831, and first published in the *London and Westminster Review* in October 1836 (Mill, IV, p.309).

relatively pioneering discipline, but Hodgskin's freedom from intellectual constraints perhaps enabled him to express this changing attitude earlier.<sup>93</sup>

However prevalent this concept was to become, Hodgskin's early expression of political economy as a science, should be seen in the context of his political agenda.

### **The Need for Scientific Political Economy**

In *Labour Defended* (1825) Hodgskin expressed his support for the labourers' claims to a greater share of society's productive output, but recognised that this could not be achieved by violence. Indeed he had felt the need to defend *Labour Defended* against the charge made in the *Trades' Newspaper* that his pamphlet was supportive of the use of violence to attain better conditions for labourers.

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<sup>93</sup> Senior wrote (in apparent agreement with Hodgskin) that "The earlier writers who assumed the name of Political Economists avowedly treated not of Wealth, but of Government" (Senior, 1836, p.1). Senior then noted James Steuart's remark that the object of political economy was the art of maximising the subsistence for a nation's population, rather than a scientific enquiry into the laws which affect wealth.

Both Hodgskin and Senior used the same passage from Henri Storch to support their own positions.

"Political Economy" is defined by Mr Storch to be "the science of the NATURAL laws which determine the prosperity of nations, their wealth and civilization." (Hodgskin, *TN.*, 29<sup>th</sup> Jan. 1826)

"Political Economy," says M. Storch, "is the science of the natural laws which determine the prosperity of nations, that is to say, their wealth and their civilization" (Senior, 1836, p.1)

The difference between the wording of Heinrich Friedrich Storch (*Cours d'Économie Politique*) is due to the fact that Storch's work was never translated into English. So both authors were providing their own translations from the French of either the original 1815 publication or of J.B. SAYS' notated edition of 1823.

It is interesting that Storch was so freely quoted by Hodgskin in *The Trades Newspaper*, which was a working class medium, presumably with the expectation that Storch's authority would be recognised. Hodgskin also used Storch as a source in *Popular Political Economy*, as well as some of his *Economist* articles in the 1850.s. Storch was also cited in many other political economy books and journals. It seems that Storch's renown was more widespread at that time than it might be considered to be nowadays.

Hodgskin and Senior also used similar passages from Say and McCulloch to show that the demarcation of political economy had not been consistently held to. They both used McCulloch's definition of political economy – "the Science of the laws which regulate the production, accumulation, distribution, and consumption of those articles or products that are necessarily useful or agreeable to man ..." (McCulloch, 1825, p1). Senior additionally pointed out the contradiction of this with McCulloch's later statement that "its object is to point out the means by which the industry of man may be rendered most productive of wealth" (*ibid*, p.8).

So far from looking to violence of any kind as a means to obtain any end, however laudable, I look only to knowledge. ... I at least have no wish to excite either the labourers or their opponents to acts of violence. I at least do not forget, that every act of violence, by whoever committed, tends to retard that continued melioration in the condition of society, (Hodgskin, *TN.*, 30<sup>th</sup> Oct. 1825)<sup>94</sup>

Being adverse to violence Hodgskin claimed that resort had to be made to reason, but that this reasoning had to avoid certain arguments. This was especially prudent given the economic boom of late 1825, when it would have been ineffectual to rely on arguments that permitted comparisons of workers' existing circumstances with previous eras or foreign workers' conditions.

To obtain better treatment the labourers must appeal from practice to principle. We must put out of view how labour has been paid in times past, and how it is now paid in other countries, and we must show how it ought to be paid. This I admit is a difficult task, but the former condition of the labourer in this country, and his condition at present in other countries, leaving us no criterion to which we can or ought to appeal, we must endeavour to perform it. (Hodgskin, 1825, p.5)

Thus reasons had to be presented that abstracted from reality or existing conditions. This led Hodgskin to believe, that workers could only obtain better distributive conditions as the result of hypothetical arguments and reasoning. Hodgskin may well have become aware of such a possibility as a result of his work for the *Morning Chronicle* reporting on proceedings in the House of Commons, where "Ricardian" hypothetical arguments had been applied with apparent success.

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<sup>94</sup> Despite Hodgskin's protests there were passages in *Labour Defended* that might have caused alarm, such as

till the right of property shall be founded on principles of justice, and not on those of slavery; till *man* shall be held more in honour than the clod he treads on, or the machine he guides -- there cannot, and there ought not to be either peace on earth or good-will amongst men. (Hodgskin, 1825, p.32)

Hodgskin's work also elicited responses that carried undertones of violence, even if they illustrated a misunderstanding of Hodgskin's position as regards property, for example in Thomas Cooper's *Elements of Political Economy*:

Would Mr. Hodgskin and his followers, take the land and machinery of the capitalist by force? For if not by bargain and contract, there is no alternative. If Mr Hodgskin and his followers say yes, then if I were a capitalist, I should say, we will fight for it if you please. (Cooper, 1830, p.352)

## Section Three

# In Defence of Political Economy

### Agenda

In this section we present an exposition of Hodgskin's defence of political economy as a useful and beneficial science. We do this against the backdrop of contemporary attacks against political economy. This background of antagonism can be seen in articles published by *The Trades Newspaper* around the time of its serialised reporting of *Labour Defended*. We also draw upon Hodgskin's direct response to its concerns, which were later restated in *Popular Political Economy* (1827).

### Polarised Opinions

Two very different opinions prevail in society regarding political economy. On the one hand it is described as the most important of all the sciences, and indispensable to the welfare of society. ... On the other hand, there is a large class of persons who never mention political economy without a sneer. They deny that any such science does or can exist; and deride those who undertake to teach it. (Hodgskin, 1827a, p.1-2)

Hodgskin's *Popular Political Economy* (1827) began with a defence of political economy. In his *Preface* Hodgskin commented that what he perceived as the "repugnance now felt to some of the doctrines of Political Economy" stemmed from Malthus's *Essay on Population* (Hodgskin, 1827a, p.xix).

It was probably Hodgskin's exposure to working class interests and his post writing Parliamentary reports that made the polarization of opinion on political economy obvious to him. Consequently Hodgskin was able to note the widespread prevalence of this polarity;

repeatedly met with in the public journals, and continually reproduced in Parliament, as well as among all the classes of the people, (ibid, p.3).

We can thus explore what Hodgskin conceived of as the widespread diversity of opinion on political economy, by investigating the negative attacks on the subject in the early 1820.s.

### **Attacks on Political Economy**

A readily available illustration of the parliamentary attacks on political economy can be found in the reports of Ricardo's speeches in his collected *Works and Correspondence* (Volume v).<sup>95</sup> For example, in a debate regarding the new Chancellor of the Exchequer's budget statement on 21<sup>st</sup> Feb. 1823, Ricardo is reported to have commented that he "had frequently" needed "to repel the attacks which were made upon the science of political economy" (Ricardo, v, p.248).

Perhaps Ricardo's most telling remark was reported during a debate on the Silk Manufacture Bill, on 9<sup>th</sup> June 1823, where he apparently conceded that:-

the words "political economy" had, of late, become terms of ridicule and reproach (ibid, p.307)

When James Mill wrote to McCulloch regarding the arrangements for the Ricardo memorial lecture series he echoed Ricardo's concerns;

You can have little notion of the dread of publicity which hangs over many of us: of the aversion to Political Economy which yet here is almost universal. (Mill, 10<sup>th</sup> Jan. 1824)<sup>96</sup>

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<sup>95</sup> Hodgskin started writing parliamentary reports in late 1822, but there is no way of knowing whether any of the reports in volume v of the *Works of Ricardo* actually related to reporting by Hodgskin.

<sup>96</sup> So disheartened were Ricardo's followers during the period just after Ricardo's death, that James Mill had wrote to McCulloch (19<sup>th</sup> Sept. 1823) and concluded that "you and I are his two only genuine disciples," (Bain, 1882, p.211).

There were however, marked differences between McCulloch's and James Mill's economics, which were perhaps best illustrated by their opposition to each other on banking and currency issues. McCulloch sided with the Bullionists, whilst James and John Stuart Mill were anti-Bullionists.

Ricardo seems to have accepted that his position did not attract many followers – "I have not yet succeeded in making many converts in my own country, but I do not despair of seeing the number increase – the few I have are of the proper description, and do not want zeal for the propagation of the true faith" (Ricardo, VIII, p.227 – 4<sup>th</sup> Sept. 1820). The diarist John Lewis Mallet (14<sup>th</sup> Jan. 1820) recalled that Ricardo's *Principles* had, despite there having 750 copies printed of the first edition and 1000 each of the second and third editions (ibid, x, p.262-264), "not been read by 200 persons in the country," (ibid, VIII, p.152n).

It seems that Ricardianism started from relatively modest beginnings, although by 1825 Ricardo's reputation had posthumously flourished. Samuel Bailey remarked that Ricardo was considered by some "as the ablest economist of his day" (Bailey, 1825, p.xii). However, Bailey was concerned as to how such an exalted position had been attained:

It has been unfortunate, perhaps, for Mr. Ricardo's ultimate reputation, and certainly for the science which he cultivated, that his admirers have extolled him beyond the sobriety of truth. ... It is probable, however, that the excess of their admiration has blinded them to his defects; that they have been too much occupied with the excellence of his speculations to note the errors by which they are disfigured. It would be difficult, on any other supposition to account for the extravagant praises which have been heaped on his *Principles of Political Economy and Taxation*. (Bailey, 1825, p.xii-xiii)

In a later paper (*A Letter to a Political Economist*) Bailey expressed his concerns regarding the way that political economy shielded itself by defending particular political economists:

The science has suffered, and still suffers infinitely more from arrogance, which looks upon certain names and doctrines as sacred from attack, that intolerance which would repress every symptom of free examination, that confidence which rejects with scorn any suspicion of the possibility of error, that pertinacity which clings to opinions once expressed because the credit of individuals appears to be involved in maintaining them. (Bailey, 1826, p.95)

The established periodicals (e.g. *The Edinburgh Review* and *The Quarterly Review*) generally refrained from directly referring to the dissent regarding political economy, but rather stressed its importance and thereby contributed to

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When the foundation of a lectureship of political economy was established, it was not met with overwhelming support:

if Mr. John Smith had not exerted himself as much as he did, at the last, it would have been dropped. Mr Lefevre, Mr. Mill, George Grote, and Mr. J. Smith, were the only strenuous supporters. (Bain, 1882, p.214)

Nevertheless subscriptions were established to raise £1200 over ten years for the Memorial Lectures that were given by McCulloch (Bain, 1882, p.214). This was about the same sum that was raised as an immediate result of Hodgskin's appeal in the *Mechanics' Magazine*, around this time (11<sup>th</sup> Oct. 1823), to establish a mechanics institute (Hole, 1853, p.8).

an indirect defence of political economy.<sup>97</sup> The reason for this, James Mill saw related to these journals being “addressed to the aristocratical classes” (Mill, *WR.*, Jan. 1824, p.210).

### **Explanations Provided**

The newly established Benthamite radical publication, *The Westminster Review*, was more forthcoming in its acknowledgement of the attacks on political economy. In its review of James Mill’s *Elements of Political Economy* J.S. Mill saw in the unscientific presentation of Ricardo’s work, an excuse for political economy’s detractors:<sup>98</sup>

As Mr. Ricardo’s work, however, partakes somewhat of the nature of a running comment upon the writings of preceding authors, and does not afford a clear and well-arranged view of the science, his differences with Adam Smith and others have been eagerly caught at by the small wits of the day, as certain signs that political economy admits of no indubitable conclusions, that they who study it may with justice be classed with the alchemists and astrologers of old, and that their visionary and ill-digested projects are undeserving of public attention. (J.S. Mill, *WR.*, Oct. 1824, p.291)

It was often conceived that attacks upon political economy resulted from the divergence and rapid development of ideas and opinions articulated by political economists. This was expressed by McCulloch in his *Discourse on Political Economy* (1824) thus;

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<sup>97</sup> By way of example, the *Edinburgh Review*, in a review of McCulloch’s *Discourse on the Rise, Progress, Peculiar Objects and Importance of Political Economy* (1825) paid the following compliment to political economy:

Though directly conversant only about wealth and industry – though having for its immediate object but the bodily comforts and worldly enjoyments of men, it is certain that it is at the same time the best nurse of all elegance and refinement, the surest guarantee for justice, order, and freedom, and the only safe basis for every species of moral and intellectual improvement. (*ER.*, Nov. 1825, p.2)

<sup>98</sup> The *Memoir of Ricardo*, originally published in *The Annual Biography and Obituary* (1824), written (apparently) by Moses Ricardo with James Mill’s influence “particularly in the paragraph on the *Principles*” (Ricardo, X, p.15), made the following assertion in defence of Ricardo’s *Principles*: -

The train of arguments is derived from a few luminous principles, and one is so consequent upon another, that the work cannot be examined in detail: it must be taken as a whole, and as such, its conclusions are demonstrated with almost mathematical precision. (Ricardo, X, p.10)

the differences which have subsisted among the most eminent of its professors, have proved exceedingly unfavourable to its progress, and have generated a disposition to distrust its best established conclusions. (McCulloch, 1824, p.8)<sup>99</sup>

McCulloch concluded that this was necessarily the case with any relatively new science – “Political Economy has not been exempted from the common fate of the other sciences” (ibid, p.9).<sup>100</sup> However McCulloch was prepared to claim that political economy had reached a degree of perfection that would alleviate the fears of its detractors.

But the errors with which Political Economy was formerly infected have now disappeared, and a very few observations will suffice to show that it really admits of as much certainty in its conclusions as any science founded on *fact and experiment* can possibly do. (McCulloch, 1824, p.9)

Hodgskin plainly disagreed with McCulloch’s assertion:<sup>101</sup>

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<sup>99</sup> McCulloch had been prepared to be censorious to Ricardo in their direct correspondence (5<sup>th</sup> June 1821), for publicly exposing political economy to possible criticism.

Your object never has been and never can be any other than to endeavour to promote the real interests of the science; but I apprehend you will agree with me in thinking that nothing can be more injurious to these interests than to see an Economist of the highest reputation strenuously defending one set of opinions one day, and unconditionally surrendering them the next – The fundamental differences that formerly existed (for I am sorry to think they have now nearly disappeared) between you and Messrs. Malthus and Sismondi induced many to believe that Political Economy was a thing of fudge, a fabric without a foundation – And I certainly think that those who were formerly of that opinion have a good deal better ground for entertaining it now (Ricardo, VIII, p.382).

<sup>100</sup> A point also recognised by Torrens, when discussing the objections against political economy, which were based on the changing beliefs, as well as the differences and internal wrangling between authors and practitioners. Torrens was also rather optimistic about the prospect of widespread consensus in the science :

A similar objection might have been urged, in a certain stage of progress, against every branch of human knowledge. ... In the progress of the human mind a period of controversy amongst the cultivators of any branch of science must necessarily precede the period of their unanimity. ... With respect to Political Economy the period of controversy is passing away and that of unanimity rapidly approaching. Twenty years hence there will scarcely exist a doubt respecting any of its fundamental principles. (Torrens, 1821, p.xii)

<sup>101</sup> Nassau Senior, Samuel Read and Richard Whately also recognised the difficulties caused by the incompleteness and contradictions between political economists at this time (and two decades later), as well as the need to defend political :

That the science is incomplete, and yet in its infancy – those who profess it differing among themselves as to its first principles – is generally admitted; (Hodgskin, 1827a, p.xxiii).

### **The Trades' Newspaper** <sup>102</sup>

In working class circles and publications the distrust of political economy was not only based on the contradictions and impermanence of its doctrines, but also in the implications of what Hodgskin saw as dogma – “Men turn away disgusted, not from truth, but from errors dogmatically enforced.” (Hodgskin,

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It is, at present, in that state of imperfect development, which ... throws the greatest difficulty in the way of the beginner, and consequently, of a teacher, and offers the fairest scope to the objections of an idle or an interested adversary. (Senior, 1827, p.2)

Every one is aware that Political Economy is in a state of imperfect development, (Senior, 1852, p.11)

By all who are acquainted with the most recent and most noted works on Political Economy, it will be readily admitted that the science is at present in a very unsettled and unsatisfactory state. There is scarcely a single doctrine ... upon which there is a perfect and uniform, or even a general agreement, among the numerous sects and schools into which this science is now divided. (Read, 1829, p.v)

It has been my first object, to combat the prevailing prejudices against the study [of political economy]; (Whately, 1831, p.vi)

Sir John Byles' *Sophisms of Free-Trade and Popular Political Economy* (1849) was not an attack on Hodgskin's *Popular Political Economy* but rather the more generally accepted orthodoxy of mid 19<sup>th</sup> century political economy as typified by J.S. Mill and McCulloch. The first fallacy he attacked was that “Political Economy is a science” –

If by a science be meant a collection of truths ascertained by experiment, and on which all well informed men are agreed. Then political economy is manifestly not yet a science. (Byles, 1849, p.1)

Notwithstanding this Byles was willing to accept political economy's scientific credentials if a less rigorous notion of science was applied;

If by a science be meant a subject on which some little has gradually become known, but the great body of solid knowledge yet remains to be discovered by experience and observation, then, indeed, in this lower sense, political economy is a science. (ibid)

Nevertheless, McCulloch's confidence in political economy was accepted in the USA. Indeed Cooper adopted McCulloch's confidence in political economy and thus portrayed an upbeat prognosis:

The recent applications of the principles of Political Economy, by the enlightened Ministry of Great Britain, ... have been received with nearly unanimous approbation throughout the Kingdom, as well as in Parliament: and we seem to gain a glimpse of the dawn of a new day; and of peace on earth, and good will toward men. (Cooper, 1826, p.ii; 1830, p.iv)

<sup>102</sup> The *Trades' Newspaper* which was, as Noel Thompson described – “the only authentically working-class newspaper outside the co-operative press in the late 1820s” (Thompson, 1984, p.12).

1827a, p.xxii). For Hodgskin this disgust became noticeably evident in *The Trades' Newspaper*.

*The Trades' Newspaper* was concerned with the immediate implications of the policy of Free Trade. It perceived that workers were becoming increasingly disadvantaged by the removal of protective measures, as a result of policies apparently endorsed by political economists, as voiced in parliament and the establishment periodicals.

In *Narrative of the Conditions of the Manufacturing Population* (1824) Alexander Richmond had claimed that the antagonism of the working classes towards political economy was due to its emphasis on free-trade. This was also to form the basis of the complaints endorsed within the *Trades' Newspaper* with regard to the Spitalfields Acts and the Corn Laws.

For the last forty years, the ablest writers on political science have been advocates for a general freedom of trade, and have condemn the whole system of bounties, prohibitory duties, monopolies and restrictions of all kinds: leaving every thing open to fair competition. The greater part of their reasoning, however, more immediately refers to the external trade of one country compared with that of another; and few of them have been aware of the effect produced by the application of the principle on the different classes of the same community, or the positive injustice done, by its operating in one case and not in another. It is indeed a delicate point to interfere with, being the keystone of the whole political machine; for, were the principle generally applied, it would change the whole order of society and annihilate all the incorporated and chartered rights of the country. Thus we have a number of small communities, enjoying particular privileges, forming the component parts of a larger; and the *benefits* of the boasted freedom of trade are confined to those with no special privileges to defend, or have no means of doing so. (Richmond, 1824, p.2-3)

Hodgskin linked the free-traders and Corn Law abolitionists as using the same reasoning and usually “of the same party in the ministry” – “The same class of reasoners who advocate the repeal of corn laws are also advocates of the abolition of the restrictions on trade. They have used similar arguments on both subjects;” (Hodgskin, *TN.*, 12<sup>th</sup> Feb 1826).

## The Spitalfields Acts

The Spitalfields Acts played a significant part in Hodgskin's early journalist career, as his views on them, being in line with his notions on economic free trade, confronted other working class concerns of the time.

by the sixth number of the *[Mechanics] Magazine* he [Hodgskin] demanded the outright repeal of the acts, which, he admitted, were "cherished by a great many of our readers" ... The more immediate importance of the articles [by Hodgskin], however, was the hostile response of the magazine's readership. Keen to preserve their loyalty to his fledgling publication, Robertson did not publish the further articles on Spitalfields that Hodgskin had promised. Hodgskin left the *Mechanics Magazine* soon after this to become editor of a more specialist sister publication, *The Chemist*. (Stack, 1998, p.80)

Hodgskin's view was always that "Free trade laissez faire, is incompatible with any species of restriction on industry," (Hodgskin, *E.*, 19<sup>th</sup> April 1848, p.479). This was not only in line with his political economic position, but his general anarchistic view that the "Legislature is not competent even to redress the wrong it enacts without causing some misery" (Hodgskin, *E.*, 26<sup>th</sup> May 1849, p.573).

Stack provided an explanation of why the Spitalfields Acts were of such importance:

Although they applied to comparatively few men, and contained provisions forbidding the formation of trade unions, they were regarded with some affection by the weavers, and other groups of workers, all over the country (Stack, 1998, p.80).

The reform of the Spitalfields acts gave rise to numerous pamphlets during 1822 and 1823, with some as late as 1828 still trying to make their point. For example, *A Defence of the Spitalfields Acts* (1823) by Andrew Larcher was typical of working class pamphlets of the time, and provides a contemporary account of why they were apparently valued by working class interests.<sup>103</sup>

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<sup>103</sup> By working class pamphlets we refer to pamphlets aimed at working class concerns rather than necessarily written by working labourers. *The Spitalfields Acts, Seven Pamphlets 1818-1828* edited by Kenneth Carpenter as part of the series – *British Labour Struggles: Contemporary Pamphlets 1717-1850* – provides examples of these mostly anonymous works. Larcher is otherwise unknown, except that we know at the time of publication he lived in Bethnal Green.

Thus to me it is evident, that the Spitalfields Act is not only a protection to the London Weavers, but also to tradesmen, to shopkeepers, and to every other class or people in London: and, in a measure, to the peace of the whole British empire. It keeps up a regulating standard, by which the London and Country weavers are protected from the extreme distress to which rapacious employers would reduce them; it enables the weavers to buy and consume commodities, which gives employ to thousands of other families, and thereby secures trade and profit to wholesale and retailing venders. ... Such a national distress must be dangerous to the constitution, or such a failure of trade will surely bring a fatal failure upon the revenue, which must inevitably cause a revolution with all its direful consequences. Hence it is evident that the Spitalfields Act is of some importance to the kingdom. (Larcher, 1823, p.3)

It seems that Malthus's emphasis on effectual demand and under consumption were the economic notions adopted by those propagating working class opposition to the removal of the protection afforded by laws such as the Spitalfields Acts. Hodgskin seems to have accepted that the removal of protectionist legislation affected effective demand, but that this under-consumption resulted from over-trading. The capitalists, in Hodgskin's opinion, were stimulated by Government encouragement on the prospect of creating extended markets.

For this general delusion there must have been a general cause; and I attribute the unfounded hopes of the capitalist, and consequently all this over-trading, first in one branch of commerce, then in another, to the speeches and writings of the ministerial part of the Government, and to the system on which the Ministers have acted for these last six years, of removing restrictions and prohibitions from our commerce. Whenever they have proposed the removal of such restrictions, they have flattered the cupidite and stimulated the enterprise of our manufacturers and merchants, by talking of the increased market they were to find for their commodities. The latter eagerly hastened to supply the imaginary market. They first over-worked and over-employed their men, and then undersold each other. These speculations turned out not profitable; – they became bankrupts, and distress among the workmen, wide-spread and alarming distress, has been the consequence. (Hodgskin, *TN.*, 12<sup>th</sup> Feb. 1826)

These legal instruments were seen, in many working class circles, as best serving the workers' immediate interests, whereas Hodgskin and other Free-

Traders were only able to offer more long-term benefits by their removal. Thereby, in the 1820.s, the concerns of the working class were with nominal wages and prices rather than issues that more directly affected real wages, such as the Corn Laws. Hodgskin, in his *Lecture on Free Trade in Connection with the Corn Laws* (1843) seemed to have recognised the disparity of interests as only being eroded by the 1840.s. :

As the labouring class have unfortunately stood aloof from our agitation, though they are now I believe coming forward and making common cause with us, as it has been asserted that to abolish the Corn Laws would injure them, (Hodgskin, 1843, p.4)

It seems that there was acceptance of the notion that if prices were raised, then wages, being at a subsistence level, would necessarily rise too. This was not due to a theoretical principle, as in Ricardo's *Principles*, but from experience of how workers were actually paid and supported by the Poor Laws.<sup>104</sup> The view held and propagated by Hodgskin and many others was that free trade would benefit workers in the long term, and that the Corn Laws, in practise, affected the workers less than the more affluent capitalist and land owning classes.

Of this, however, I am quite certain, that the Corn Laws, execrable as they are in principle, and mischievous as they are to the whole community, do not impose anything like so heavy a tax on the labourer as capital. Indeed, however injurious they may be to the capitalist, it may be doubted whether they are so to the labourer. They diminish the rate of profit, but they do not in the end lower the wages of labour. Whether there are Corn Laws or not, the capitalist must allow the labourer to subsist, and as long as his claims are granted, and acted on, he will never allow him to do more. (Hodgskin, 1825, p.22)

Senior's 1828 lecture *On the Corn Laws and Poor Laws* shows that at this period, the Poor Laws were used to maintain workers' wages up to the price of

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<sup>104</sup> In Hodgskin's writing there were quite often poetic asides included for reasons he explained thus:

To me it is always pleasant to find the language of science confirmed by the authority of the poets, who, obtaining popularity only by describing or appealing to general feelings and sentiments of mankind, may be supposed to be their most accurate representatives. (Hodgskin, 1827a, p.22-3)

In this vein we can use lines from Shelley's *The Mask of Anarchy* (1819) as representative of contemporary sentiment:

Tis to work and have such pay,  
As just keeps life from day to day.

subsistence, in conjunction with the Corn Laws. As such Hodgskin's claim that there were "institutions which limit the reward of labour, whatever may be its produce, to a bare subsistence," (Hodgskin, 1825, p.31) can be seen justified –

The Poor Laws as at present administered ... secure to every individual a definite amount of wheat, to be made up if not earned by labour, by the occupiers of land and houses in the parish in which each individual is settled. And while the corn laws continue, an alteration of the poor laws would be an injustice which no government could venture, no legislation sanction, and no people endure. To prohibit the poor man from purchasing his food at the cheapest market, and at the same time to take from him the subsistence to which he is by law entitled would excite, and would deserve to excite, an insurrection. (Senior, 1828, p.232)

### **Hodgskin's Response to *The Trades' Newspaper***

*The Trades' Newspaper* was an important journal and outlet that was generally sympathetic towards Hodgskin's ideas. Its extensive reviews, commentary and near serialisation of *Labour Defended*, had brought Hodgskin and his work to the notice of the working classes.<sup>105</sup> It was edited by Joseph Clinton Robertson, who had been the "proprietor, editor, and driving force" of *The Mechanics' Magazine* that Hodgskin had worked for in 1823 (Stack, 1998, p.79).<sup>106</sup>

The January 22<sup>nd</sup> 1826 issue of *The Trades' Newspaper* contained an editorial that concluded with the following condemnation of political economy, and of the "repeal of the prohibition of foreign silks" by "Mr. [William] Huskisson and his colleagues":<sup>107</sup>

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<sup>105</sup> Shortly after the publication of Hodgskin's *Labour Defended*, a series of detailed reviews commenced in the *Trades' Newspaper* on 21<sup>st</sup> August 1825. These were continued on 28<sup>th</sup> August, 4<sup>th</sup> September, 25<sup>th</sup> September, and 16<sup>th</sup> October. Although these reviews reproduced large sections of *Labour Defended* they were not simple serialisations of the work. These articles always covered the entire front pages of the newspaper, and extended onto the second pages

<sup>106</sup> Robertson and Hodgskin had gone their separate ways after the Mechanics' Institute had evolved out of their control; during the later part of the 1820.s their relationship was still relatively amicable. Although by 1835 there was a complete falling out between the two over Hodgskin's acclaim of Birkbeck's role in the Mechanics' Institute and his remarks published in *The Courier* (24<sup>th</sup> March 1835) to the effect that Robertson had tried to detrimentally affect the institute's progress (Stack, 1998, p.151).

<sup>107</sup> William Huskisson MP (then for Liverpool) was the President of the Board of Trade; he had acknowledged Ricardo as "a gentleman, whom he had also the pleasure of reckoning among his friends" (Ricardo, v, p.332).

The poor operatives [silk weavers] have, as usual been left wholly out of sight in the adjustment of the compensation attendant on the new order of things: but can this lessen their claims to consideration in the eye of justice and humanity? We hold it to be clearly a matter of national duty and concern to rescue them from the ruin which has them in its grasp; nor do we hesitate to say, that rather than so many thousands of industrious and unoffending people should be left to the fate that has overtaken them, it were better far that things should exist as they were till the end of time. PERISH POLITICAL ECONOMY, BUT LET THE PEOPLE LIVE. (*Trades' Newspaper*, Jan, 22<sup>nd</sup> 1826, p.441)

This passage presents an important distinction between Robertson and Hodgskin, particularly their attitudes towards growth and progress. The *Trades' Newspaper* adopted a conservative stance in that if the workers suffered by the adoption of progressive measures then it would be better not to change or progress, but to maintain the current situation "till the end of time".

This sharply contrasted with Hodgskin's commitment to progressive change, not so much as a policy but as the inevitable conclusion of economic activity and human existence.

Despite these differences Hodgskin's reply was published in the following issue and entitled *Political Economy*. It contained much that was to become included in his *Introduction* chapter of *Popular Political Economy* (1827).

Hodgskin's *Political Economy* began with an attack on the notion given by both James Mill and McCulloch that political economy was in some way equivalent to domestic economy.<sup>108</sup> Hodgskin stressed that political economy was a science rather than the practical art of national or domestic government.

I was not surprised at observing in your Paper of yesterday, the following sentence, "Perish political economy, but let the people live," because you and most of your readers probably understand by these terms, some prevalent theories influencing the decisions

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Huskisson was later to gain notoriety as the first railway fatality resulting from an incident with Stephenson's Rocket in 1830.

<sup>108</sup> "Political Economy is to the state, what domestic economy is to the family." (Mill, 1821, p.1; 1826, p.1) - "Political Economy may be said to be to the state what domestic economy is to a single family." (McCulloch, 1825, p.9n; 1849, p.1n) As Whately pointed out, the etymology of the term "*Political-Economy*" was unfortunate for it did indeed imply the art "treating of the affairs and regulation of a Commonwealth" (Whately, 1832, p.4).

of statesmen, to the production of great present evil. Nor am I surprised that you should conceive of the science, because its professors have said of it, that it is to the "state what domestic economy is to a family:" and the domestic economy of a family being always regulated by its head, it follows that political economy consists only of regulations established by the head or government of the state. (Hodgskin, *TN.*, 29<sup>th</sup> Jan. 1826) <sup>109</sup>

Hodgskin accepted that if political economy was simply the art of domestic economy extended to administer and control the state, under some family or state leadership, then that political economy, given the prevalent condition of society, was not worthy of defence.

we are obliged to conclude that the existing distress and the existing misery are occasioned by some social regulations; and looking at political economy as another name for some such regulations, I join with you in saying "let it perish, but let the people live." (ibid) <sup>110</sup>

However Hodgskin's point was that this was not a valid conception of what political economy should be.

This idea, however, of political economy, is not a correct one, and I should hope, for the sake of the people themselves, that they will not transfer the hatred such mischievous regulations so justly

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<sup>109</sup> Hodgskin's reference to the "head" in relation to the economy seems reminiscent to remarks in Steuart's *Principles* regarding the headship of the economy, although Steuart emphasised the distinction between government and economy ;

The whole œconomy must be directed by the head, who is both lord and steward of the family. It is however necessary. That these two offices be not confounded with one another. As lord he establishes the laws of his œconomy; as steward, he puts them in execution. ... (Economy and government, even in a private family, present therefore two different ideas, and have also two different objects. (Steuart, 1767, p.v)

This analogy of the head determining the laws is pertinent if we relate it to the notion of political economy as the laws of economic activity as determined by what James Mill referred to as the aristocracy (as those with political power), and to Hodgskin's attack on McCulloch's attempts to enter this aristocracy (Hodgskin, *BG*, 30<sup>th</sup> Nov. 1864)

<sup>110</sup> The attack on the perceived relationship between domestic and "the current loose notion of Political Economy" was reiterated in John Stuart Mill's *Essays on Some Unsettled Questions of Political Economy*, in his attempt to specify political economy as a science as counter-distinguished from an art.

domestic economy, so far as it is capable of being reduced to principles, is an art. It consists of rules, or maxims of prudence, for keeping the family regularly supplied with what its wants require, and securing, with any given amount of means, the greatest possible quantity of physical comfort and enjoyment. (Mill, 1844, p.125: also IV, p.313)

deserve, to one of the noblest studies which can engage their attention. (Hodgskin, *TN.*, 29<sup>th</sup> Jan. 1826)

For Hodgskin, political economy was necessarily a science, but he traced the confusion between art and science to *The Wealth of Nations* where (for Hodgskin and also for Senior) Smith distinguished between political economy (in Book IV – *Of Systems of Political Economy*) and the science of wealth (in Book III – *Of the different Progress of Opulence in different Nations*).<sup>111</sup>

In one part of it he contrasts this natural science with *political economy*, as we understand it, and as he describes it to be, "a part of the business of a statesman." He most philosophically endeavoured to trace national wealth and national prosperity, to some natural laws; and he *examined* several systems of political economy or legislative measures intended to promote national wealth; almost all of which he found reason to condemn. By a strange change in the meaning of terms, the *natural science* of wealth, which he cultivated, has been called political economy; and in consequence it has been confounded by almost all persons, even by those who have written on the subject, with the regulations of legislators. (Hodgskin, *TN.*, 29<sup>th</sup> Jan. 1826)<sup>112</sup>

It was for this reason, presumably, that Hodgskin referred to "the erroneous name of *Political Economy*" (Hodgskin, 1827a, p.3).<sup>113</sup> Hodgskin was not alone

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<sup>111</sup> Hodgskin conceived that subsequent economists had also departed from Smith's doctrines as far as distribution is concerned.

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. (Hodgskin, 1827, p.xxii)

<sup>112</sup> It seems that Hodgskin's use of the phrase "a part of the business of a statesman" is not directly from Adam Smith, who referred rather to political economy as "a branch of the science of a statesman" (Smith, *WN*, IV,,1). This may have been a honest mistake of memory (given the speed at which Hodgskin's letter was written) or a polemic devise to avoid drawing attention to Smith's use of the word "science" to what would have been considered an art by Hodgskin and others by the 1840.s (e.g. J.S. Mill and Senior).

The phrase "the business of a statesman" was used several times by Smith's predecessor Sir James Steuart in *An Inquiry into the Principles of Political Economy* (1767). Thus for Steuart political economy was a concern or tool of the statesman, rather than being, as Smith seems to imply, the actual science of statesmanship.

<sup>113</sup> In his *Economist* review of William Ellis' *Outlines of Social Economy*, Hodgskin had continued his critique of the use of the term political economy;

Those who gave the name of political economy to the science of the Wealth of Nations, did Adam Smith a dishonour and the public an injury. It has no connection with politics, except to repudiate them. (Hodgskin, *E.*, 12<sup>th</sup> Dec. 1846, p.1621)

in his perception of a changing context of the term political economy as it related to Smith's original use.

The review of Senior's *An Outline of the Science of Political Economy* (*Edinburgh Review*, Oct. 1837) also accepted that Smith's "own definition of Political Economy differs widely from that of his successors" (*ER.*, Oct. 1837, p.77).

The *Edinburgh Review* also accepted that "which the English authors have given the name of Political Economy" may have been incorrectly named - "They have adopted an inconvenient title. We are quite ready to change it, provided the world can agree on a new one" (*ibid*, p.83).<sup>114</sup> Nevertheless, the term "political economy" has persisted, as Hodgskin recognised, and became the name of the discipline that was still aspiring to become a science.

Thus Hodgskin seems to have defended political economy on the grounds that as a science it was separable from the art.

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Hodgskin persisted with this concept into his later writings in *The Brighton Guardian*, for example – "that science erroneously called Political Economy" (Hodgskin, *BG.*, 30<sup>th</sup> Nov. 1864, p.2).

<sup>114</sup> One of the words suggested was Catallactics. This had been suggested previously by Whately, who had also recognised the confusion resulting from Smith's usage.

The name I should have preferred as the most descriptive, and on the whole least objectionable, is that of CATALLECTICS, or the "Science of Exchanges." (Whately, 1832, p.6)

However if we bring a wider understanding to the term exchange, then Catallactics becomes less of a restrictive expression.

Exchange is choice, and choice is the action of a particular person. What he chooses may be such that he needs another person's agreement, another person's choice. But we can look at the action of exchange through the eyes on one person at a time. It involves preference and sacrifice. It is deliberate. It gives advantage. (Shackle, 1973, p.1)

# Section Four

## The Subject Matter of Political Economy

### Agenda

The agenda for this section is to present a brief exposition of what Hodgskin considered as the subject matter of political economy. This requires a discussion of political economy as a humanistic science in the sense that it was perceived as concerned with man and his actions rather than other physical conditions. To this end we will draw upon writings by J.S. Mill, and to a lesser degree Nassau Senior, which also expressed political economy in humanistic terms, as illustrative of the position that Hodgskin held.<sup>115</sup>

### Humanistic Economics

It must always be remembered, though it seems hardly necessary to state it, that all wealth is created by labour, and there is no wealth which is not the produce of labour. (Hodgskin, 1827a, p.19)

Hodgskin's assertion that labour created all wealth can be conceived of as a humanistic methodological claim. He did not deny that non-human agency was necessary for the creation of wealth. His position was that political economy was a humanistic science in which, those non-human aspects did not pertain, but should be left to the domain of mechanics, chemistry, business studies and other physical concerns. If political economy was to be distinguished from these other sciences, then it should exclude all activities apart from human agency.

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<sup>115</sup> J.S. Mill presented more direct philosophical detailing on why political economy was a humanistic science rather than Hodgskin who often presented his position as statements rather than arguments. To this end Mill's work can be used to provide methodological explanations of Hodgskin's position.

A similar position can be seen with J.S. Mill, in his essay *On the Definition of Political Economy and on the Method of Investigation proper to it* (1844). We intend to use Mill's account of the philosophy behind the concept of economics as a humanistic science as it is far more complete and coherent than can be gathered from Hodgskin's scattered writings on this issue. We will then make a comparison of Hodgskin's works back to Mill's exposition.

As we shall see the view of both Hodgskin and Mill on political economy was one that was theoretically unconcerned with the practicalities of the physical constraints, technology and relationships of any particular historical period, but was essentially a humanistic or anthropocentric science.

### **The Scope of Political Economy**

Hodgskin's most specific statement of the scope of political economy can be found in his letter to the *Trades' Newspaper* entitled *Political Economy*:-

As the subject is limited and studied in this country, it is the science of the *natural laws* which regulate the *production* and *distribution* of wealth. ... All wealth is produced by labour; the science, therefore, as far as production is concerned, is limited by ALL the circumstances, but only by them which influence the productive powers of labour. ... The second great branch of political economy consists therefore in ascertaining all the natural circumstances - and it is only limited by ALL these circumstances, which at any and all times determine the distribution of wealth among men through the medium of exchange. ... Considered as the science of all the *natural circumstances* which determine the production and distribution of wealth, though we have not yet ascertained all these circumstances, there is surely no other subject which is of more importance, or more interesting to all mankind. (Hodgskin, *TN.*, 29<sup>th</sup> Jan. 1826)

This expression of the scope of political economy was more limited than that given in *Popular Political Economy* that might seem to extend to the mechanical and chemical disciplines, despite his focus on labour and his almost dismissive attitude to the impact of land and capital:

It [political economy] is the science of ALL the circumstances or laws which influence the production power of labour, and which regulate and determine the distribution of all the products of labour. (Hodgskin, 1827a, p.5-6)

The earlier use of the term natural, when compared to the similar expression in *Popular Political Economy*, was probably a better articulation of his position than in the later work. What we intend to emphasise here is that when Hodgskin wrote about political economy including “all circumstances”, he did not intend it to include physical circumstances.<sup>116</sup>

### **Separation from the Physical**

When Hodgskin proclaimed that “Political economy is a natural, not a political science” (Hodgskin, 1827a, p.263), he was not claiming it as a physical science, but as a science of man’s actions. J.S. Mill, like Hodgskin, conceived political economy as a science distinct from the physical sciences:

The real distinction between Political Economy and physical science must be sought in something deeper than the nature of the subject-matter; which indeed, is for the most part common to both. (Mill, 1844, p.129)<sup>117</sup>

For although there were some disciplines that dealt solely with subject matters that could be distinguished along the lines of their relationship “with the human mind” or “with all things whatever except the mind”, there were others, such as music, politics and law, which were not so distinct. Thus Mill gave his “rationale of the distinction between physical and moral science”.

In all the intercourse of man with nature, whether we consider him as acting upon it, or as receiving impressions from it, the effect or phenomenon depends upon causes of two kinds: the properties of the object acting, and those of the object acted upon. Everything

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<sup>116</sup> A justification of Hodgskin’s perhaps over-extensive definition of the science can be found in Mill:

When a definition so manifestly surpasses in extent what it professes to define, we must suppose that it is not meant to be interpreted literally, though the limitations with which it is meant to be understood are not stated. (Mill, 1844, p.127)

<sup>117</sup> Mill further distinguished political economy as a psychological science rather than a physical science. It was thus concerned with human activities in relation to the mind rather than being concerned with the physical world.

If we contemplate the whole field of human knowledge, attained or attainable, we find, that it separates itself obviously, and as it were spontaneously into two divisions, which stand so strikingly in opposition and contradistinction to one another, that in all classifications of our knowledge they have been kept apart. These are, physical science, and moral or psychological science. The difference between these two departments of our knowledge does not reside in the subject-matter with which they are conversant: (Mill, 1844, p.129)

which can possibly happen in which man and external things, are jointly concerned, results from the joint operation of a law or laws of matter, and a law or laws of the human mind. Thus the production of corn by human labour is the result of a law of the mind, and many laws of matter. The laws of matter are those properties of the soil and of vegetable life which cause the seed to germinate in the ground, and those properties of the human body which render food necessary to its support. The law of the mind is, that man desires to possess subsistence, and consequently wills the necessary means of procuring it. (Mill, 1844, p.130)

This last sentence of Mill's can be related to Hodgskin's axioms regarding the need to labour and to necessity as the stimulus to create the "means of procuring it".

Man is doomed to eat bread by the sweat of his brow, and naturally those who do not work have nothing to eat. If we do not labour, we can have no food, (Hodgskin, 1827a, p.27)

we may be certain that the cause of that progress in knowledge, which is in its turn the cause of that perpetual increase in our productive power, is the natural law which dooms us to labour, and which is perpetually in operation, at its greatest extent by the active principle of population. Necessity is the mother of invention. (ibid, p.86)<sup>118</sup>

### **Moral Science**<sup>119</sup>

Mill emphasised that the demarcation between physical and mental sciences should be readily understood:

The physical sciences are those which treat of the laws of matter, and all complex phenomena in so far as dependent upon the laws of matter. The mental or moral sciences are those which treat of

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<sup>118</sup> In comparison to Hodgskin's view that necessity was the stimulus to improvement, for Malthus necessity was the factor that restricted improvement and held back progress – "Necessity, that imperious all prevailing law of nature, restrains them within the prescribed bounds" (Malthus, 1798, p.15; 1817, p.4).

<sup>119</sup> It would be as well to illustrate how the term moral was used at this period.

As it is highly desirable to keep scientific language precise, and always to use the same terms in the same sense, we shall now further observe upon the word "*moral*" in relation to science or faculties. It is sometimes used to denote the whole of our mental faculties, and in opposition to natural or physical, as when we speak of "*moral science*," or "*moral truths*," or "*moral philosophy*". But it is also used in contradistinction to "*intellectual*" or "*mental*," in connexion with or in reference to obligation; and then it relates to rights and duties, and is synonymous with *ethical*. (Brougham, 1835, p.7)

the laws of the mind, and of all complex phenomena in so far as dependent upon the laws of mind. (Mill, 1844, p.131)<sup>120</sup>

Thus economics as a social science would presumably be a mental or moral science concerned with the mind. This, we construe, would also have been Hodgskin's view. It may well be that we no longer adhere to this distinction between physical science and mental science; in which case social sciences may well be understood as straddling both physical and mental disciplines. That political economy was a moral or mental science was undoubtedly the concept held by J.S. Mill in the first half of the 19<sup>th</sup> century, and evidently was also adhered to by Hodgskin and many others.<sup>121</sup>

Political economy was a moral science that had to presuppose the physical disciplines and events: this led Mill to his "precise statement of the relation in which Political Economy stands to the various sciences which are tributary to the arts of production" and highlighted the area of most difficulty in separating the physical and moral:

Most of the moral sciences presuppose physical science: but few of the physical sciences presuppose moral science. The reason is obvious. There are many phenomena (an earthquake, for example, or the motions of the planets) which depend upon the laws of matter exclusively: and have nothing whatever to do with the laws of mind. Many, therefore, of the physical sciences may be treated of without any reference to mind, and as if the mind existed as only as a recipient of knowledge only, not as a cause producing effects. But there are no phenomena which depend exclusively upon the law of the mind: even the phenomena of the mind itself being partially dependent upon the physiological laws of the body. All the mental sciences, therefore, not excepting the

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<sup>120</sup> A similar demarcation can be found in Senior:

Sciences are divided into two great classes, differing both as to the matters which they treat, and the sources from which they draw their premises. These are the physical and the mental, or, as they are sometimes called, the moral sciences (Senior, 1854, p.22)

<sup>121</sup> For example, the notion of political economy as a moral or mental science was also adhered to by Nassau Senior as he plainly stated in the second of his *Four Introductory Lectures on Political Economy* (1854) – *Political Economy a Mental Science*.

All the technical terms, therefore, of Political Economy, represent either purely mental ideas, such as *demand*, *utility*, *value*, and *abstinence*, or objects, which, though some of them may be material, are considered by the political economist so far only as they are the results or causes of certain affections of the human mind, such as *wealth*, *capital*, *rent*, *wages*, and *profits*. (Senior, 1854, p.35)

pure science of mind, must take account of a great variety of physical truths: and (as physical science is commonly and very properly studied first) may be said to presuppose them, taking up the complex phenomena where physical science leaves them. (Mill, 1844, p.131)

### **Mill's Concluding Definition of Political Economy**

In the following paragraphs Mill clarified what the science of political economy was concerned with;

The laws of production of the objects which constitute wealth, are the subject-matter both of Political Economy and of almost all the physical sciences. Such, however, of those laws as are purely laws of matter, belong to the physical science, and to that exclusively. Such of them as are laws of the human mind, and no others, belong to Political Economy, which finally sums up the result of both combined.

Political Economy, ... takes for granted all such of the truths of those sciences as are concerned in the production of the objects demanded by the wants of mankind; or at least takes for granted that the physical part of the process takes place somehow. It then inquires what are the phenomena of *mind* which are concerned in the production and distribution (Mill, 1844, p.132)

By emphasising political economy's concern with man in the social context of wealth creation, Mill concluded that political economy was unconcerned with man acting individually.<sup>122</sup> Nor did it relate to man acting socially other than with regards to the issue of wealth (fulfilling his wants)<sup>123</sup>.

From the above considerations the following seems to come out as the correct and complete definition of Political Economy: – “The science which treats of the production and distribution of wealth, so far as they depend upon the laws of human nature.” Or thus – “The science relating to the moral or psychological laws of the production and distribution of wealth.” (Mill, 1844, p.133)

Despite this claim to completeness, Mill provided further emphasis in terms of man's social pursuit of wealth.

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<sup>122</sup> “Those laws or properties of human nature which appertain to man as a mere individual, and do not presuppose, as a necessary condition, the existence of other individuals ... form a part of the subject of pure mental philosophy.” (Mill, 1844, p.134)

<sup>123</sup> “These laws, or general truths, form the subject of a branch of science which may be aptly designated from the title of *social economy*; ... This science stands in the social, as anatomy and physiology to the physical body. It shows by what principles of his nature man is induced to enter into a state of society:” (Mill, 1844, p.135)

It does not treat of the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging the comparative efficacy of means for obtaining that end. It predicts only such of the phenomena of the social state as take place in consequence of the pursuit of wealth. It makes entire abstractions of every other human passion or motive except those which may be regarded as perpetually antagonizing principles to the desire of wealth ... Political Economy considers mankind as occupied solely in acquiring and consuming wealth; (Mill, 1844, p.137-8)

Mill also recognised the hypothetical nature of this science –

Not that any political economist was ever so absurd as to suppose that mankind are really thus constituted, but because this is the mode in which science must necessarily proceed. ... With respect to those parts of human conduct of which wealth is not even the principle object, to these Political Economy does not pretend that its conclusions are applicable. But there are certain departments of human affairs, in which the acquisition of wealth is the main and acknowledged end. It is only these that Political Economy takes notice. (Mill, 1844, p.139)

Thus Mill came to his concluding definition:

Political Economy, then, may be defined as follows; and the definition seems to be complete: –

“The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object.” (ibid, p.140)

### **Hodgskin's Definition of Political Economy**

The purpose of this section is to investigate how Hodgskin's perception of the science of political economy was consistent with that professed by Mill. Hodgskin felt obliged to justify political economy as being concerned only with human action, because of the lack of impact that physical circumstances appeared to have on productivity. He did not, like Mill, state that this was necessarily so from a philosophical position regarding the way sciences should be categorised; this was one of the great values of Mill's essay.

The difference between Mill and Hodgskin on this matter could be seen in their different concepts of progress. Mill with his post-Malthusian attitude to progress perhaps needed a philosophical distinction. Whereas Hodgskin with a pre-

Malthusian concept of progress would not necessarily feel that a philosophical justification was needed. Hodgskin's notion of progress, to some degree, presupposed the superiority of humanistic influences over the merely physical and, in a progressive view, static effects. It can also be related to his concept of nature, as that from which all else followed (as we will discuss in a later chapter).

Hodgskin stressed that the material aspects should be excluded from political economy because of their transitory character. He saw that material circumstances appeared to influence production only in a relatively minor capacity.

It is, however, not a little remarkable that we may at once reject from our inquiries all the physical circumstances, and material things not inherent in man himself, and not created by labour, which are supposed in general to influence most strongly the prosperity of our race. (Hodgskin, 1827a, p.15)

It [political economy] takes no notice of the arts of life; it does not pretend to explain the principles of mechanics, agriculture, or chemistry (ibid, p.39)

Hodgskin recognised that physical conditions did play a part but that that part itself was significantly influenced by the historical condition and progress of man at any time:

I beg the reader to recollect that I do not assert, that what we call the fertility in soils, which is in all cases, however, a quality relative to our knowledge at the moment we speak, has no influence whatever on the quantity of labour necessary to procure subsistence; but that influence is so unimportant, compared to the effect of knowledge-guided labour, that it may be neglected. Thus, rejecting situation, land, and fertility, the most important physical circumstances which are supposed influence the prosperity of our race, we may reject from the science all other physical circumstances, except the powers and faculties of man, and what he creates. (ibid, p.19)

In *Popular Political Economy* it was these "powers and faculties" that were the concern of political economy, and these were the mental faculties of the human mind.

It is with these natural interests, passions, instincts and affections, and with their consequences, – they not being suspended at any moment, and continuing to operate powerfully when society is in

its most advanced state as at its commencement, – that political economy principally deals. (Hodgskin, 1827, p.25)

### **Social Economy**

There were attempts to refer to the science as Social Economy rather than apply the *political* nomenclature.<sup>124</sup> One such attempt was William Ellis' *Outline of Social Economy* (1846), in the review of which Hodgskin gave his approval of such terminology:

The subjects treated are – civilization and barbarism; self-government; wealth and capital; rent; wages; profit; division of labour; interchange; value in exchange; money-coin; money-paper and credit; bills of exchange; price; abundance and scarcity; freedom of trade; restriction; machinery; colonies; taxation; taxes direct; taxes general and local; income; expenditure; conclusion. These are the substance of political economy; but, looking to the partial disfavour which has unfortunately fallen on the science, the author has done right, we think, to call his work not political but social economy. (Hodgskin, *E.*, 12<sup>th</sup> Dec. 1846, p.1621)

Despite this passage including an apparent rendering of Ellis' contents list, it illustrated the range of subjects that Hodgskin envisaged as encompassed within political economy. As well as demonstrating his acceptance of the term social economy as equivalent to political economy, it also showed his awareness of the issue we discussed earlier in this chapter regarding the unfavourable regard that political economy was held in by many people.

Hodgskin and Mill understood what has remained known as political economy as a social science concerned with those mental conditions and aspects that influenced the production and distribution of wealth, within a social context.

### **Consumption**

The list of contents for political economy given in Hodgskin's review of Ellis, did not include consumption. It is interesting to note that J.S. Mill, like Hodgskin, did not consider consumption as an issue within the remit of political economy.

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<sup>124</sup> There are many examples in Hodgskin's writings of his commenting on the inappropriateness of the term political economy to the science generally known by that name. For example, in his review of George Opdyke's *Treatise on Political Economy* Hodgskin remarked that "the author has no clear conception of the science that has been miscalled *political* economy;" (Hodgskin, *E.*, 22<sup>nd</sup> Nov. 1851, p.1299).

For we contend that Political Economy ... has nothing to do with the consumption of wealth, further than as the consideration of it is inseparable from that of production. We know not of any *laws* of the *consumption* of wealth as the subject of a distinct science: they can be no other than the laws of human enjoyment. (Mill, 1844, p.132.n)

In this he had adopted a position akin to Hodgskin's:

In consuming wealth, the object is to support life, or give zest to existence; and the most agreeable methods of consumption must be settled by the taste of the individual ... they do not fall in the department of the economist, but in that of the cook, the physician, or the moral philosopher. Consumption may, therefore, be discarded from political economy. (Hodgskin, 1827a, p.5)

Nassau Senior also excluded consumption from his definition of political economy, but dealt with it in those sections of his works covering production. This was due to his conception of consumption as the opposite of production – the destruction (un-production) of wealth rather than its production.

## Section Five

# The Source and the Cause of Wealth

### Agenda

The oft made claim “that all wealth is created by labour” (Hodgskin, 1827a, p.19), was extended particularly in the early 19<sup>th</sup> century, to embrace the more comprehensive claim that only labour created wealth. We have already seen in this chapter that Hodgskin qualified his claim that only labour created wealth, with an acknowledgement that land and tools were influential but relatively unimportant.

The significance of labour and what exactly was meant by labour will form part of a later chapter. However in the last section of this chapter we will broach the issue of the cause of wealth, as an expression of Aristotelian causal notions, as opposed to the more modern credence placed on Humean causation and Mill’s induction method of causality.<sup>125</sup> This section is also intended to further illustrate the importance of labour within political economy, in addition to the methodological humanism of the previous section.

We will use the work of both Daniel Raymond and Richard Jones to provide a framework around which we can reconstruct Hodgskin, given that his writings that did not adhere to the strict demarcation made by these two economists. This reconstruction will alleviate some of the confusion that might otherwise distract from our comprehension of Hodgskin’s economics as a thorough whole.

To this end we will first look at the example of Daniel Raymond’s expression of the separation of the terms cause and source of wealth as presented within his

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<sup>125</sup> It is far beyond the scope of this thesis to debate the worth or otherwise of the various notions of causality to be found in the fields of philosophy and logic. Thus we will not be entering into a philosophical discussion on causation and causality. It is solely the intention herein to comprehend Hodgskin’s economics by viewing his writings from a perspective that may have been far more prevalent in his day.

chapter *The Source and Cause of Wealth* in the first volume of the 2<sup>nd</sup> edition of his *The Elements of Political Economy* (1823).<sup>126</sup>

### **Daniel Raymond**

Daniel Raymond introduced his topic thus:

A distinction has not hitherto been made between the source and the cause of wealth, but, if I mistake not, the distinction will be found to exist in the nature of things, and be of singular utility in the further prosecution of this obtruse science. No branch of the subject, at present, lies hidden in deeper obscurity, than the sources of wealth – none, respecting which, there is a greater diversity of opinion. (Raymond, 1823, I, p.89)

For Raymond the *source* and the *cause* of wealth were two distinct issues that had tended to be confused.

Not to have distinguished between the source and cause, and to have traced wealth to such inadequate and equivocal sources, has rendered the means by which wealth is to be augmented alike equivocal. It was an error in the first concoction, and has cast doubt and uncertainty over the whole science. (ibid, p.90)

As the phrase “a source of wealth” was “to a certain extent, an inaccurate mode of expression, in the literal sense of the words” Raymond had to resort to clarifying the definition of terms, particularly the words *source* and *cause*, especially as they were often used synonymously.

The word source is sometimes used as synonymous with *fountain* and sometimes as synonymous with *cause*. But the words fountain and cause are not themselves synonymous. To use the word source, therefore, in such different senses, cannot fail to cause ambiguity, to avoid which, I shall always use it as synonymous with fountain. This is its appropriate meaning in political economy, where it is used to express the origin of the

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<sup>126</sup> The work of Daniel Raymond (1786-1849) is cited purely as an extended example of the view which separated wealth’s cause and source, rather than for its influence on contemporary political economy. The fact that Raymond might be seen, in some aspects, as similar in character to Hodgskin, is more to do with a reflection of a particular tone in many writers of that period, rather than suggesting Raymond was even known by Hodgskin.

We shall subsequently cite the Malthusian academic Richard Jones and the highly influential Jeremy Bentham with regard to their Aristotelian expressions in connection to the causes of wealth. However Raymond’s is one of the most explicit articulations of the cause –source demarcation, which, given that this distinction may be far less marked in modern English, is felt to be well worth reproducing.

necessities and comforts of life, as contradistinguished from the cause which produces them. (ibid, p.91-2)<sup>127</sup>

### **Fountain of Wealth**

Thus Raymond accepted that the earth was the source or fountain of all wealth.

In this sense of the word, no argument is necessary to prove that the earth is the only source of private as well as public wealth – the great fountain from which we derive all the necessaries and comforts of life. The earth includes the ocean as well as the land. (ibid)

That the earth is the sole fountain or source of wealth is so self-evident a proposition, to a mind untrammelled and unsophisticated by the ingenious subtleties of philosophers, that a man would be thought to be engaged in a very idle employment, who should attempt to prove it: (ibid, p.93)

Nonetheless as the earth was the source, some other entity must be the cause. Thus Raymond advanced to discuss the cause in quite Hodgskinite terms and expressions:

But the earth does not yield her fruit spontaneously the law is, that “man shall eat bread in the sweat of his face.” It is the labour of man, and that alone, which causes the earth to yield her increase. LABOUR, therefore, is the cause, and the only cause, of wealth – which draws forth from the great fountain the necessaries and comforts of life. The power which produces national wealth resides in the bones and sinew of man, and it is in vain to seek for it any where else. Labour is the main spring, the fundamental principle of every true system of political economy. (ibid, p.92)

From this demarcation of source and cause Raymond was led into many of the ideas that Hodgskin was later to promulgate. The most marked of these, apart from the idea that only labour is the cause of wealth, was the proposition that capital was not an active agency in wealth creation but only an instrument akin to land that labour acted upon.

It seems scarcely credible, that a writer who presumes to instruct mankind in the science of political economy, should really suppose that capital, whether land, money, or goods, was an

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<sup>127</sup> *Walker's Dictionary* defined *Cause* as “That which produces or effects any thing, the efficient; the reason, motive to any thing; subject of litigation; party”: whereas *Source* was “Spring, fountain-head; original, first producer” (Walker, 1831, p.76 & p.488). We know from Hodgskin's *The Word Belief Defined* (1827) that *Walker's* was a dictionary used by him.

active agent, capable of either *supplanting* or of *performing* labour, which is beyond the reach or power of man to perform. It is not possible for any man to suppose that capital can really perform labour, and he who talks about labour performed by capital, must, therefore, use the language in a figurative or metaphorical sense; and when writers so far forget themselves as to suppose, that a science is to be elucidated by the flourishes of rhetoric, it is not surprising that so little progress has been made in the study of political economy. (ibid, p.107)<sup>128</sup>

### **Naïve Productivity Theory of Production**

It might be said that as Raymond's comments only amounted to an attack on what became recognised as the naïve productivity theory of production, they are of little real interest.<sup>129</sup> Our point, however, is that Raymond's commentary can be seen aligned to Aristotle's ideas on causes. Analysed with Aristotle's causality structure in mind, rather than claiming Raymond consciously or directly adopted Aristotelian causality, it is possible to liken Raymond's *Source* to Aristotle's *material cause*; whereas his *Cause* equated to an *Efficient Cause*.

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<sup>128</sup> It is evident that Raymond was referring to the notion which was typically displayed in Lauderdale's *An Inquiry into The Nature and Origin of Public Wealth and into the Means and Causes of its Increase* (1804 & 1819)

Now, it is apprehended, that in every instance where capital is so employed as to produce a profit, it uniformly arises, either – *from supplanting a portion of labour, which would otherwise be performed by the hand of man*; or – *from its performing a portion of labour, which is beyond the reach of the personal exertion of man to accomplish*. (Lauderdale, 1804, p.161)

Hodgskin's attack on the naïve productivity theory was the main subject matter of *Labour Defended* (1825), but rather than Lauderdale his target had been James Mill:

He [James Mill] speaks of capital as an instrument of production co-operating with labour, as an active agent combining with labour to produce commodities, and thus he satisfies himself, and endeavours to prove to the reader that capital is entitled to all that large share of the produce it actually receives. (Hodgskin, 1825, p.34)

<sup>129</sup> Rather than an attack on productivity theory that was justified, for example, by the Method of Concomitant Variations.

Böhm-Bawerk discussed the notion of "Naïve Productivity theory" in his *Capital and Interest* (1890);

Those productivity theories which claim for capital a direct value-producing power (first type), as well as those which start from the physical productivity of capital, but believe that the phenomenon of surplus value is self-evidently and necessarily bound up with it (second type), ... I shall group these together under name of Naïve Productivity theories. (Böhm-Bawerk, 1890, p.118-9)

The founder of the Naïve Productivity theories is J.B. Say. (ibid, p.120)

Aristotle's notion of art or production being a function of innate or applied motion also appears to have been adapted by Hodgskin and other political economists such as McCulloch.

The question might be raised, why some things are produced spontaneously as well as by art, e.g. health, while others are not, e.g. a house. The reason is that in some cases the matter which governs the production in the making and producing of any work of art, and in which a part of the product is present, — some matter is such as to be set in motion by itself and some is not of this nature, and of the former kind some can move itself in the particular way required, while other matter is incapable of this; for many things can be set in motion by themselves but not in some particular way, e.g. that of dancing. The things, then, whose matter is of this sort, e.g. stones, cannot be moved in the particular way required, except by something else, but in another way they can move themselves — and so it is with fire. Therefore some things will not exist apart from some one who has the art of making them, while others will; for motion will be started by these things which have not the art but can themselves be moved by other things which have not the art or with a motion starting from a part of the product. (Aristotle, *Metaphysics*, bk.7, part 9)

After Isaac Newton the concept of “some matter is such as to be set in motion by itself” was discounted, hence production had to be via the matter being moved by an outside agency, i.e. man via his labour;

All action is motion; we perform only motion, and all the phenomena of the universe ... are manifested to us only as motion. ... The one term, motion, – motion imparted to all things, and all things existing *in* motion, – signifies all that man knows and all that man can ever learn. (Hodgskin, *BG.*, 6<sup>th</sup> July 1864)

Labour, therefore, and *nothing* but labour, is that peculiar part of motion – (Mr McCulloch calls it transmutation) – which is the sole object of that science erroneously called Political Economy. It is the science or methodised knowledge of labour, of what labour effects, and of all the natural laws which labour follows. (Hodgskin, *BG.*, 30<sup>th</sup> Nov. 1864)

This notion of production being equivalent to motion can be found not only in McCulloch but earlier in Destruitt de Tracy and later in John Stuart Mill. It can also be seen linked with Aristotelian causality in Jeremy Bentham's *Manual of Political Economy* (1843).

- The causes of wealth, or say rather the matter of wealth, are –
1. Final – well-being.
  2. Material – matter considered in respect to its possessing, or being capable of possessing *value* – viz. subservency to *well-being*, the *final* cause.
  3. Efficient – viz. motion. (Bentham, 1843, III, p.36)<sup>130</sup>

### **Richard Jones**

Not many writers made this explicit demarcation between source and cause in Aristotelian terms. One who did was the Haileybury Professor Richard Jones in his *Lectures on Labor and Capital* which were posthumously reproduced in his *Literary Remains, consisting of Lectures and Tracts on Political Economy* (1859), where he claimed to be following his “illustrious predecessor, Malthus” and identified an error in Adam Smith’s nomenclature.

In examining into the laws which determine the amount of wealth produced, we turn, first, to observe its original sources. These, no doubt, are the earth and elements. From them all material wealth which man can appropriate or fashion is originally produced. Labor was inadvertently described by Adam Smith as the source of all wealth. This mistake, for reasons we shall presently give, very slightly affected the correctness of his reasonings; but still it was a mistake. Labor is the universal instrument, without which none of the productions of nature could be appropriated by man, or made useful to him; but his labor is no more the original source of his wealth, than the mouth is the original source of his food, which it masticates and prepares for the nutriment of his frame. (Jones, 1859, p.6)

Jones, like Hodgskin had, also dismissed the issue of land’s fertility as a major issue of consideration when compared to labour;

We may conclude, then, that though the earth and elements are sources of wealth, the efficient cause and instrument by which their natural powers are developed and made fruitful is the labor of man; and that the efficiency of that cause or instrument contributes more, on the whole, to determine the positive and

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<sup>130</sup> This is the *Manual of Political Economy* in the *The Works of Jeremy Bentham* Volume III (1843) edited by John Bowring rather than the *Manual of Political Economy* edited by Werner Stark in *Jeremy Bentham’s Economic Writings* (1952) volume 1. Stark asserted that the Bowring edition of the *Manual* was written about 1804 and was intended to be entitled *Institute*, whereas the *Manual* in his edition was written originally between 1793 and 1795. (Stark, 1952, p.49).

In a footnote Bentham commented that the term “matter of wealth” is “employed to prevent ambiguity” presumably the ambiguity of having a hierarchy of causal explanations.

comparative wealth of nations than any difference in the original sources of their wealth. These conclusions are a sufficient justification of the course taken by Smith when he made an inquiry into the causes of the varying efficiency of human labor the foundation of his essay on the Wealth of Nations, and in this respect we shall follow in the footsteps of the great master. (ibid, p.9)

These points were repeated in Jones' *Text-Book of Lectures on the Political Economy of Nations delivered at the East India College, Haileybury*, where Jones commented that Senior had already corrected Smith's error;

The source of wealth is the earth; or, if we speak of them separately, the sources of wealth are the earth and the waters. These produce all the objects appropriated or fashioned by the labors of man. Human labor itself is not, strictly speaking, an original source of wealth, although, without such labor, no wealth comes into man's possession. The habit of treating labor as the source of wealth was probably founded on some expressions of Adam Smith, on whose authority it has been propagated. (Jones, 1859, p.343)

Hodgskin often failed to attend to the distinction made by Jones and Raymond, and like many others, frequently referred to labour as the source, but more often as the creator of wealth.<sup>131</sup> Within the overall context of his work and with regard to this stricter discrimination we would argue that he effectively meant that labour was the cause of wealth. It thus appears that when Hodgskin stated that labour was the source of wealth this should be construed to mean that labour was the efficient cause of wealth.

This confusion of source and cause in Hodgskin can, for example, be seen in his review of H.C. Carey's book *The Past, The Present, and the Future for The Economist*;

since his [Ricardo's] time it has continually and generally been admitted that labour is the sole source of value, the sole source of production, the payment of all cost, and the ultimate regulator of price. (Hodgskin, *E.* 28<sup>th</sup> Oct. 1848, p.1228)

When Hodgskin wrote that "labour is the sole source of value" he should be construed to have meant that value resulted or existed because labour had

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<sup>131</sup> For example: "It has been shown in the Introduction, that labour creates all wealth." (Hodgskin, 1827a, p.45)

been performed. He did not mean (as we shall illustrate in more depth later in this thesis) that labour was the measure or the sole source of value.

However, when Hodgskin wrote that labour was “the sole source of production” he meant that labour was the sole cause, or active agent, of or within production.<sup>132</sup> He wrote in *The Brighton Guardian* that “Production being, however, the end, and labour the means,” (Hodgskin, *BG*. 29<sup>th</sup> August 1862) indicating that labour was production’s *efficient cause*. Production was “the end” which had for its source, or *final cause* man’s natural predisposition or need to eat, clothe, and generally sustain himself.<sup>133</sup>

Thus Capital and Labour were elements of wealth, with labour as the cause and capital and land (to a lesser degree) were the source.

The reason for such a lapse of phraseology may have been that such terms were used as journalistic or polemic expedients; or reflected the current linguistic expressions of the time. Hopefully, with the explanation our reconstruction provides here, we can overcome such imperfections of terminology to better understand his writings.

### **Efficient Cause**

We should not be distracted from looking at early notions of political economy with Aristotle’s schema in mind, simply due to the similarity between an *efficient cause* and the modern use of the term *cause*.

Thus when physiocrats stated that the earth was the sole cause of wealth, from the prospective of material cause it was not denied that the earth was indeed

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<sup>132</sup> For example, in his review of George Rickards’ *Population and Capital* (1854):  
Man is the sole productive agent. Labour, enlightened more or less by knowledge and skill, is the sole productive instrument. The whole science of political economy concerns man and his industry, not his products; and Mr Rickards, like his predecessors, has fallen into a mistake when he when he left the productive power of man and wrote about the productive power of capital. (Hodgskin, *E.*, 18<sup>th</sup> Nov. 1954, p.1270)

<sup>133</sup> Labour as the “payment of all cost” was Smith’s notion, whereas labour as the “ultimate regulator of price” refers to the limited view of the relationships between price, cost, and value (as voiced by Hodgskin, De Quincey, and J.S. Mill), that we will discuss later in this thesis.

the material cause of all wealth, especially when the earth is conceived in the widest general sense.<sup>134</sup>

Likewise neo-classical economics with its themes of subjectivism and marginalism could be seen as concerned with *Final Causes*.

When Hodgskin, Thompson and many others stated that labour was the cause or source of all wealth, our reconstruction should enable us to understand their argument for labour being the sole efficient cause of wealth.<sup>135</sup> This is, especially the case if, as we shall discuss in our next chapter, labour is seen as human action and all wealth is the result of that activity.<sup>136</sup>

Hence a reconstruction of Hodgskin's political economy could define it as the science of the efficient cause of the production of wealth. This would be in line with his contention that labour was the subject matter political economy.

Production being, however, the end, and labour the means, the true scientific method will be to treat of labour. In fact the science of production is the science of labour, or our knowledge of the means of which labour can be and is made most productive. (Hodgskin, *BN.*, 20<sup>th</sup> Aug. 1862)

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<sup>134</sup> In a similar manner it might be postulated that Mercantilists viewed the economy from the standpoint concerned with *Formal Causes*.

Although such considerations are, however, far beyond the scope of this thesis, it might be useful to view such paradigm shifts as Adam Smith's rebuttal of the physiocrats and the Marginalist revolution of the 1870.s, as changes in causal emphasis.

<sup>135</sup> Although, if we dig deep enough, there was also the view, held by those who saw value solely determined by supply and demand, rather than being related to labour, that put forward supply and demand as the efficient cause. The most explicit case of this can be found in *Essays On The Progress Of Nations, in Productive Industry, Civilization, Population, and Wealth: Illustrated by Statistics of Mining, Agriculture, Manufactures, Commerce, Banking, Revenues, Internal Improvements, Emigration, Mortality, and Population* (1853) by Ezra C. Seaman:

The proportion between supply and demand is the principal and efficient cause, which determines and regulates the price of an article, and the amount of labor required to produce it, is on prices, but an incidental cause, which affects the price indirectly, by increasing or diminishing the supply of the article. The free trade economists have elevated the incident to the rank of the principal, and degraded the principal to the station properly belonging to the incident. (Seaman, 1853, p.316-7)

<sup>136</sup> I.e. accidental wealth is only wealth after having been acted upon in some manner. "Since anything which is produced is produced by something ... and from something" (Aristotle, *Metaphysics*, bk.7, part 8).

In summary we can suggest that Hodgskin's concentration on labour as the central subject matter of political economy was based on what was effectively an Aristotelian perspective that saw labour as the efficient cause of wealth. This perspective also goes some way to explain his antipathy to land and capital being considered as actively dynamic agents of the production of wealth.<sup>137</sup>

It is perhaps from this standpoint we will be better equipped to begin to understand exactly what Hodgskin meant when he claimed for labour that its reward should be the whole produce of labour; a claim that is the subject matter of a later chapter.

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<sup>137</sup> Such a notion, on labour as the sole creative agent for wealth, was not unique to Hodgskin. Indeed, according to the Austrian economist Frank Fetter in his essay *Clark's Reformulation of the Capital Concept*, such a notion was recognised in Frank William Taussig's economics:

Third, he [Taussig], much more explicitly than Marshall, reaffirms a pretty bald labor-theory of value to account for the origin and distinctiveness of capital (concrete), conceived of as "artificial" in contrast with land as "natural." In accord with this thought, he (probably unique in this regard) denies "productivity" alike to capital and to land, and thinks labor alone can properly be said to be productive, more so to be sure if applied "through the use of tools" than without them, more applied "on some land.., than on other land," but in any case it is always labor alone that has "productivity." (Fetter, 1927, p.129)

# Chapter 3

## Nature and the Natural

It will be asked, “What is meant by the words, *natural* principles, natural rules, or natural laws ... to be here inquired into?” (Thompson, 1824, p.2)

### Agenda

One of the main contentions of this thesis is that Hodgskin’s use of the term *natural*, especially as applied to prices and growth, can be reconstructed to be equivalent to the modern term *endogenous*. From this standpoint we also stress that by artificial he can be understood to have been referring to what we would nowadays class as exogenous.

In this chapter we shall demonstrate that by nature Hodgskin was referring to a particular abstract economical state that was isolated from external disturbances. For him such external issues should not have been encompassed by political economy; i.e. governmental influences and interferences, and those factors that resulted from legal administration.<sup>138</sup> Thus by natural, at least in his economical writings, Hodgskin was denoting that which pertained to an abstract economic condition.

To arrive at this understanding we first need to illustrate the difficulties incumbent upon the general use of the term nature as it was employed in the 19<sup>th</sup> century. To this end the conclusion that we shall eventually reach is initially left aside whilst we explore the convolutions and inconsistencies that arise if our reconstruction is not borne in mind.

The position is complicated by Hodgskin own inconsistent use of terms, a position we seek to clarify by our subsequent substitution of the terms endogenous and exogenous for natural and artificial. When Hodgskin wrote

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<sup>138</sup> The need for a separation of the political from political economy is why Hodgskin and others had claimed that the science had been erroneously labelled political economy.

about nature in an extensive or general sense it was usually of the physical world or environment around him. Thus this chapter deals initially with this notion of nature before we consider his concept of what was natural. Such a distinction is not only important within this thesis, but also to an understanding of the political economy of the first half of the 19<sup>th</sup> century and the later Victorian period.

Another important illustration within this chapter is the connection of Hodgskin concept of nature with his ideas on progress and economic growth.

### **J.S. Mill's *Nature***

Although the J.S. Mill's essay *Nature* was not published until four years after Hodgskin's death, it was however written between 1850 & 1858 and is thus indicative of contemporary thought at the period when Hodgskin was editor at the *Economist*.

The argument of this chapter is that Hodgskin's use of the term Nature was not unusual during the earlier part of the 19<sup>th</sup> century. As such he did not feel the need to make a specific effort to explain his usage. However this use is perhaps not that by which we would nowadays expect the term to be, or to have been, used. Therefore we draw on Mill's essay *Nature* so as to illustrate this particular usage that was not unexceptional at that time. Thus the initial part of this chapter includes an exposition of Mill's use of the term "*nature*". This is compared with Hodgskin's position, to articulate our attitude on the way that Hodgskin had used the term.

# Section One

## Nature

### Introduction

An appreciation of Hodgskin's concept of nature is necessary to a comprehensive understanding of his work. Much of his economics, particularly his perception of economic growth, as well as his method and basic assumptions, were inextricably linked to his notion of nature. His argument with both Malthusian population and Benthamite law theories can be resolved into distinctions on the character of nature.

Hence, in this section, we will initially look at the problems associated with the term *nature* and arrive at a designation of the term within the context of Hodgskin's work. From this we will be able to illustrate that natural laws were conceived of as akin to what we might otherwise refer to as the laws of physics. We also demonstrate that although Hodgskin placed nature and some of man's actions (the artificial) in unavoidable opposition; he nevertheless recognised that much of man's actions and their consequences were necessarily natural.

The latter part of this chapter will concentrate on how, with this appreciation of Hodgskin's *nature* in mind, we can better understand some of those notions that arise from its use that are relevant to his economics particularly those related to his concept of economic growth. These include his confidence in Nature's beneficence, which we will contrast with the positions of Malthus and Bentham. This then leads into his concept of progress, and above all economic growth.

### Defining Nature

From an etymological perspective, *nature* can be conceived as that from which everything else proceeds. The words *nature* and *natal* have the same Latin stem *nāscī* – be born. Hence we intend to illustrate herein how our understanding of Hodgskin's work is enhanced by recognising that linkage between these two words.

If we were to conceptually understand nature as that from which everything subsequent necessarily follows, then much analysis would tend to incorporate some impression or consideration of what could be envisaged as nature. Thus most biographies start with their subject's birth or the circumstances leading up to that birth. Even a non-biographical work usually begins with some contextualisation that places what follows in perspective.

In his book on Hodgskin, David Stack recognised that *Nature* was central not only to Hodgskin but also much of contemporary intellectual arguments.

The unifying theme in Hodgskin's thought was the contrast between Nature and Artifice. His attempts to delineate the natural from the artificial, to alert man to 'the infinite importance' of listening 'to the voice of nature', was not unique. It was a current in radicalism from the time of the London Corresponding Society through to Chartism, and beyond. Nature was widely deployed in the arguments of radicals as a standard by which the laws, institutions and practices of government could be judged. (Stack, 1998, p.8)<sup>139</sup>

The contrast between nature and artifice crucially resolved around what was natural and whether what was artificial, in the sense of man-made, was necessarily always opposed to nature.

John Stuart Mill's essay *Nature* (1874) acknowledged the importance of the term and recognised its ill-disciplined application, and the need for the use of a stricter definition.

Nature, natural, and the groups of words derived from them, or allied to them in etymology, have at all times filled a great place in the thoughts and taken a strong hold on the feelings of mankind. That they should have done so is not surprising, when we consider what the words, in their primitive and most obvious significations represent; but it is unfortunate that a set of terms which play so great a part in moral and metaphysical speculation, should have acquired many meanings different from the primary one, yet sufficiently allied to it to admit of confusion. The words have thus become entangled in so many foreign associations, mostly of a very powerful and tenacious character, that they have

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<sup>139</sup> Stack cited these quote marked phrases from Hodgskin's *Natural and Artificial Right of Property Contrasted* (1832, p.i). However, it should be noted that Hodgskin commented that his aim in this work was to establish a distinction "between the natural and the legal right of property" (Hodgskin, 1832, p.i). Hodgskin was not claiming here a universal distinction between nature and the artificial.

come to excite, and to be symbols of feelings which their original meaning will by no means justify; and which have made them one of the most copious sources of false taste, false philosophy, false morality, and even bad law. (Mill, 1874, p.3)

Hodgskin's contemporary, William Thompson had also accepted that *Nature* was an expression sometimes used to justify arguments, but in his view, mostly on dubious grounds associated with unwarranted positive connotations.

No word has been more misapplied than the word Natural; nor is it necessary here to enter here into an analysis of its origin, derivative, or present significations. So pleasing are the associations connected with it, that it is arbitrarily allied to almost anything which it is sought to recommend. (Thompson, 1824, p.3)

### **Utilitarian Nature**

Despite his own cautioning William Thompson nevertheless proceeded to use the term in a way that although contrary to Hodgskin's usage, was in line with Bentham's politico-legal philosophy. He thereby used nature to signify that which was best for society.

No natural laws of distribution, or of any thing else, in the sense here given them, any where exist. By natural laws of distribution enlightened political economists do mean, or ought to mean, those general rules or first principles, on which all distribution of wealth ought to be founded, in order to produce the greatest aggregate mass of happiness to the society, great or small, producing it. (Thompson, 1824, p.3)

Thus Thompson gave a clear example of the Utilitarian conception that that which brings the most benefits, must be natural. Samuel Read's *Political Economy: An Inquiry into the Natural Grounds of Right to Vendible Property or Wealth* (1829) is also worthy of note for its adoption of this Utilitarian normative viewpoint as regards natural laws (as well as for his criticism of Hodgskin). In his *Preface* Read addressed the use of the term *Natural* in his title.

To obviate an objection that may be taken to our *Title* and to the way in which the word *Natural* is used in it, I adduce the following explanation of the meaning of the word, whence the sense will appear in which it is here employed:-

"Natural may be opposed either to what is *unusual*, *miraculous*, or *artificial*. In the two former senses, justice and property are undoubtedly natural." – *Hume; Inquiry concerning the Principles of Morals, Appendix 3, - note.* (Read, 1829, p.x)

Read saw *Natural* therefore as that which was normal or best. Thus the science of politics was “the science of all that is right and wrong” (ibid, p.xvii). Political economy was for him the branch of this science of politics that dealt with property or wealth (rather than the person or the state).

The second branch of political science is that which comprises the investigation and demonstration of all that is right and wrong, and that should or should not, be established as compulsory or institutional law, in regards to those rights and duties of men in society which relate chiefly or exclusively to property, i.e. transferable property or wealth, - and which has lately grown up into an extensive and important separate science, under the name of “Political Economy”. (ibid, p.xviii)

There is in Read the coincidence of the terms *natural* and *real* with regards to rights, as being that which was best rather than that, as in Hodgskin and J.S. Mill, which it was in the nature of prevailing circumstances likely to occur whether right or wrong, good or bad.

by natural or real right being understood, such *modes of conduct* and *relations* to persons and property as can be demonstrated to be consistent with the general good of mankind, and the best form of civil society, or with “those general principles which,” as has been observed by a writer of the highest class and authority, “ought to run through and be the foundation of the laws of all nations.” (ibid, p.xix)

Read noted that the author he referred to was Adam Smith in his *Theory of Modern Sentiments* (1759). The section to which Read alluded was that where Smith, after having dismissed casuistry, noted that “it might be expected that these reasonings should have led them [lawyers] to aim at establishing a system of what might properly be called natural jurisprudence” (Smith, 1759, p.341). Smith commented on the lamentable progress that had been made in that regard and acknowledged that he would not deal with this issue in that work.

Adam Smith’s most pertinent comments on natural laws can rather be found in *Lectures on Jurisprudence* (1978 [1762-3]), when discussing whether polygamy was natural, and the proportionately equality of the numbers of men and women in different societies –

It is not probable or to be believed without good foundation that the laws of nature vary so much in other countries. We see that

the laws of nature with respect to gravity, impulse, etc. are the same in all parts of the globe: the laws of generation in other animals are also the same in all countries, and it is not at all probable with regard to that of men there should be so wide a difference in the eastern and northern parts. (Smith, 1978, p.155)

This presented natural laws as universal constants rather than the pragmatically flexible allowance within Read's scheme.

### **An Object's Nature**

In contrast to Thompson our intention is to "enter here into an analysis of its origin, derivative, or present significations"; albeit in a relatively narrow fashion, in order to arrive at an understanding of how Hodgskin used the term *nature*.

J.S. Mill saw an object's nature as "the *ensemble* or aggregate of its powers or properties" ... "its entire capacity of exhibiting phenomena" (Mill, 1874, p.5). Hence physical laws could be expressed as the laws of an object's nature.<sup>140</sup>

And since the phenomena which a thing exhibits, however much they vary in different circumstances, are always the same in the same circumstances, they admit of being described in general forms of words, which are called the *laws* of the thing's nature. Thus it is a law of nature of water that under the mean pressure of the atmosphere at the level of the sea, it boils at 212° Fahrenheit. (Mill, 1874, p.5)<sup>141</sup>

Evidently individual objects conform to a multitude of individual laws pertaining to their nature. The collective sum of all these laws can be conceived as *Nature* in the whole or general sense:

As the nature of any given thing is the aggregate of its powers and properties, so Nature in the abstract is the aggregate of the powers and properties of all things. Nature means the sum of all phenomena, together with the causes which produce them; including not all that happens, but all that is capable of happening;

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<sup>140</sup> The etymology of the stem *nāscī* form (nature) equates as the Latin form or translation of the Greek *physis* (φύσις), or physics. The distinction between the terms nature and physics (or indeed between *natural law* and *law of physics* could be seen to boil down to whether we use the Latin or Greek root derivation.

<sup>141</sup> This notion of consistency pertaining to the laws of nature can also be found in Malthus's *Essay on Population*:

The constancy of the laws of nature, or the certainty, with which we may expect the same effect, from the same causes, is the foundation of the faculty of reason. (Malthus, 1798, p.362)

the unused capabilities of causes being as much a part of the idea of Nature, as those which take place. (ibid)<sup>142</sup>

### Nature as the “About-to-be”

In *Nature and the Supernatural* (1860), Horace Bushnell defined nature in a sense closer to the birthing connotations of its etymology. He also detached causes from objects’ properties in the sense that wood floated on water not so much because of the inherent disposition of wood but because of universal causes (or as we might say - laws of physics).<sup>143</sup>

The Latin etymology of the word *nature*, presents the true force of the term clear of all ambiguity. The nature (*natura*) of a thing is the future participle of its being or becoming – its *about-to-be*, or its *about-to-come-to-pass*, – and the radical idea is, that there is, in the thing whose nature we speak of, or in the wholes of things, an about-to-be, a definite fruition, a fixed law of coming to pass, such that, given the thing, or whole of things, all the rest will follow by an inherent necessity. In this view, nature, sometimes called “universal nature,” and sometimes “the system of nature,” is that created realm of being or substance which has an acting, a going on process from within itself, under and by its own laws. Or, if we

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<sup>142</sup> Mill’s 1874 posthumous essay *Nature* was not his first expression of his frustration in the casual use of the term Nature as his debating speech (between Utilitarians and Owenites) in 1825, *Population* illustrates:

A gentleman affirmed on the former evening that the principle of population is unnatural: that it is contrary to nature and therefore cannot be true. What he meant by nature, and by unnatural, he did not tell us: indeed he did not seem to know: nor did he offer any proof that the principle of population is unnatural. What he meant by nature I cannot tell: I will tell him what I mean by nature; I mean all the things which we see and feel: the sun, moon and stars; men and animals, trees, plants and shrubs; the earth with all its productions and various phenomena. If all this be not nature, I should like to know what is. Now then, to what part of all this does the gentleman consider the principle of population to be contrary? Is it contrary to the sun and moon? contrary to the stars? contrary to the trees and shrubs? to the sea? to an earthquake or a volcano? If, Sir, as is abundantly manifest, a man would make himself ridiculous by saying that the principle of population is contrary to any of these, I should like to know how that which is not contrary to any part, can be said to be contrary to the whole.

But the gentleman may reply that it is contrary to some supposed law of nature. If he can prove this I have done. But to what law of nature is it contrary? (Mill, XXVI, p.295)

<sup>143</sup> Although Horace Bushnell (1802-1876) was an influential, Yale educated, American theologian we do not claim that he influenced Hodgskin, only that by way of example, he postulated an attitude that could, albeit within general terms, be seen as similar to Hodgskin.

say, with some, that the laws are but another name for the immediate actuating power of God, still it makes no difference, in any other respect, with our conception of the system. It is yet as if the laws, the powers, the acting, were inherent in the substances, and were by them determines. It is still to our scientific separated from our religious contemplation, a chain of causes and effects, or a scheme of orderly succession, determined from within the scheme itself. (Bushnell, 1860, p.36-7)<sup>144</sup>

In *Natural and Artificial Right of Property Contrasted* Hodgskin can be seen both in his association of Nature and God, and his reference to a first cause, to be somewhat aligned with Bushnell's position.

Nature or God, whichever the reader pleases, for the two words signify the same everlasting First Cause, (Hodgskin, 1832, p.57)

Thus if we conceive Hodgskin's notion of nature as being close to Bushnell's there are still two areas that need to be addressed in relation to nature. Firstly there was the possible conflict between nature and man; or between the natural and the artificial. Secondly, there was the normative association in the use of the term *nature* that carried the connotation that what was natural was necessarily good.

### **Nature and the Artificial**

Despite Mill's first definition, of scientific *nature*, nature and man or man's creations were often portrayed in opposition. Although, as Mill noted, what was artificial must of necessity conform to nature in the sense of nature as the universal laws of physics. Thus a concept of nature that opposed artifice would be distinct from what Mill called "the true scientific sense" of the term nature.

For example, it [Mill's scientific sense] entirely conflicts with the common form of speech by which nature is opposed to Art, and natural to artificial. For in the sense of the word Nature which has just been defined, and which is the true scientific sense, Art is as much Nature as anything else; and everything which is artificial is natural – Art has no independent powers of its own: Art is but the employment of the powers of Nature for an end. (Mill, 1874, p.7)

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<sup>144</sup> This progressive aspect of nature could also be seen in the writings of many radicals of the late 18<sup>th</sup> and early 19<sup>th</sup> centuries. David Stack cites Wordsworth, Godwin and Paine as particularly prominent in their association of nature with progress, and linked this with Hodgskin's writings (Stack, 1998, p.13-15).

Thus Mill began to make the point that if Nature and artifice are set up in opposition then the term Nature is not being used in the scientific sense, but in a secondary sense.<sup>145</sup>

In another sense it [Nature] means, not everything that happens, but only what takes place without the agency, or without the voluntary or intentional agency, of man. (Mill, 1874, p.8)<sup>146</sup>

Nature could also be seen to have become a normative concept that conveyed the connotation of nature as being necessarily good. The artificial was thus burdened with all the negative implications associated with its opposition to nature – what was artificial must be unnatural and thereby bad. If nature was imbued with goodness then the unnatural by antithesis must essentially be corrupt.

This normative concept of *nature*, Mill saw leading to a third notion of nature as an ethical justification.<sup>147</sup>

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<sup>145</sup> According to Bushnell's definitions if man's actions, when conceived of as artificial, are separate from, or different to the *Natural*, then man's impact must be seen rather as Supernatural:

That is supernatural, whatever it may be, that is either not in the chain of natural cause and effect, or which acts on the chain of cause and effect, in nature, from without the chain. Thus if any event transpires in the bosom, or upon the platform of what is called nature, which is not from nature itself, or is varied from the process nature would execute by her own laws, that is supernatural, by whatever power it is wrought. (Bushnell, 1860, p.37)

Thus Bushnell's *Supernatural* included the preternatural as it seems to avoid the miraculous, spiritual or religious connotations perhaps normally associated with the term supernatural. Nevertheless Bushnell did recognize that the term was often used in a sense that differed from his own definition.

Instead of regarding the supernatural as that which acts on the chain of cause and effect in nature from without the chain, and adhering to that sense of the term, we use it, very commonly, in a kind of ghostly, marveling sense, as if relating to some apparition, or visional wonder, or it may be to some desultory, unsystematizable action, whether of angels or of God. (ibid, p.41)

<sup>146</sup> A similar recognition of the notion that separated nature and artifice can be found in Hodgskin's fellow member of staff at *The Economist*, Herbert Spencer's *The Study of Sociology* originally published in 1873:-

Those who have been brought up in the belief that there is one law for the rest of the Universe and another law for mankind, will doubtless be astonished by the proposal to include aggregates of men in this generalization. (Spencer, 1897, p.50-1)

<sup>147</sup> There was a further notion regarding *Nature* that involved its personification. This can be seen illustrated and (in part) justified in Darwin's *Origin of Species* (originally

But the employment of the word Nature as a term of ethics seems to disclose a third meaning, in which Nature does not stand for what is, but for what ought to be; or for the rule or standard of what ought to be. A little consideration, however, will show that this is not a case of ambiguity; there is not a here a third sense of the word. Those who set up Nature as a standard of action do not intend a merely verbal proposition; they do not mean that the standard, whatever it be, should be *called* Nature; they think they are giving some information as to what the standard of action really is. Those who say that we ought to act according to Nature do not mean the mere identical proposition that we ought to do what we ought to do. They think that the word Nature affords some external criterion of what we should do; and if they lay down as a rule for what ought to be, a word which in its proper signification denotes what is, they do so because they have a notion, either clearly or confusedly, that what is, constitutes the rule and standard of what ought to be. (Mill, 1874, p.12-3)<sup>148</sup>

Hodgskin undoubtedly contrasted Nature and the artificial but what concerns us is whether he adhered to the scientific concept of Nature? Or did he hold the somewhat confused second concept that excluded man from Nature? Or was his nature a purely normative verbal device used to justify his own claims?

When we can answer these questions we are better placed to understand Hodgskin on the issue of nature.

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published in 1859). Where it was noted that “Several writers have misapprehended or objected to the term Natural Selection” (Darwin, 1872, p.81). Darwin went on to explain his use of the term Natural in much the same sense as we argue it was used by Hodgskin.

In the literal sense of the word, no doubt, natural selection is a false term; but who ever objected to chemists speaking of the elective affinities of the various elements? – and yet an acid cannot strictly be said to elect the base with which it in preference combines. It has been said that I speak of natural selection as an active power or Deity; but who objects to an author speaking of the attraction of gravity as ruling the movements of the planets? Every one knows what is meant and is implied by such metaphorical expressions; and they are almost necessary for brevity. So again it is difficult to avoid personifying the word Nature; but I mean by Nature, only the aggregate action and product of many natural laws, and by laws the sequence of events as ascertained by us. With a little familiarity such superficial objections will be forgotten. (ibid, p.82)

<sup>148</sup> There were also those who used Mill’s second definition of the term Nature that encompassed “not everything that happens, but only what takes place without the agency, or without the voluntary or intentional agency, of man” (Mill, 1874, p.8). These saw what “is” as unnatural due to man’s so-called artificial interference. Thus what is, was divergent from what ought to be, and would remain so until man altered his actions to ensure that what ought to be became that which is. Thus nature was used as a standard with which to bring man’s conduct back in line.

## Hodgskin's Artifice

A useful step in coming to terms with Hodgskin's idea of Nature is to know what he meant by artificial. For if by artificial he meant everything that was man made or the result of man's actions and that all this was unnatural, then he was adhering to Mill's second definition. However, if much of what resulted from man's deeds was plainly conceived as natural then he would be tending towards the first universal or scientific meaning.

Hodgskin undoubtedly used the term artificial as carrying certain negative undertones, but when he only encompassed certain aspects of human endeavour as artificial, he was using the term for particular technical or verbal elucidation.

The most obvious occurrence of the natural – artificial distinction was in his book *The Natural and Artificial Right of Property Contrasted*. Thus we should establish exactly what the *Artificial* of this work's title specifically related to and look for examples where the artificial (in the sense of man-made) was conceived as natural.

In its very first paragraph Hodgskin related this work expressly to the issue of the right of property.

In his [Hodgskin's] opinion, the contest now going on in society, the preternatural throes and heavings which frightfully convulse it from one end to another, arise exclusively and altogether from the right of property, and can neither be understood nor relieved, but by attending to the great distinction he has endeavoured to establish between the natural and the legal right of property. (Hodgskin, 1832, p.i)

Thus Hodgskin coupled the words legal and artificial as synonymous unless his title was not intended to associate his text and its objective. This was not the only example of the use of the word legal in this work in equivalence to artificial, such as "the opposition between the legal and the natural right of property" (ibid, p.170) and:

by assuming the present legal right of property to be the natural right, the whole of those doctrines are founded on a false basis, and give a false notion of the natural laws which regulate society. (ibid, p.171)

## Natural Society

This last example also presents the notion that society, as an aggregate of human activity, was necessarily a natural entity following natural laws, i.e. not an artificial (separate from nature) association. Indeed this assertion that society was a natural development rather than solely a legal creation was crucial to Hodgskin's writings and pivotal to his disagreement with Benthamite economics and philosophy.<sup>149</sup>

Nearing the end of *Natural and Artificial Right of Property* Hodgskin made his most strident expression that contradicts the assumption that he held nature and artifice in opposition.

I have not, perhaps, entered as fully as I ought, and certainly not as fully as I might, into the advantages which would arise from the legislator recognizing and acting on the natural right of property, and into all the disadvantages which do actually flow from his continual struggles to uphold an unjust right of property. I have

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<sup>149</sup> Hodgskin's claims that political economy was a natural science and that the production of wealth related to natural facts, also supports the contention that he understood man's actions and the artificial as both encompassed within nature. As illustrated in the following passages;

You will, I trust, my dear Sir, remember, that in my lectures I only explained the phenomena of social production, as far as they form part of a natural science; (Hodgskin, 1827a, p.viii)

It [political economy] looks on man as a part of the great system of the universe, and supposes that his conduct is influenced, regulated, and controlled or punished, in every minute particular, by permanent and invariable laws, in the same manner as the growth of plants, the chemical combinations of matter, and the motions of the heavenly bodies. ... I hope, therefore, he will feel no reluctance to follow me in my future endeavours to develop the natural laws regulating production and distribution; some of which are universally known, others are acknowledged and acted on, and of all, the existence is implied in every attempt to show, that the regulations of government, the granting of monopolies and bounties, the imposing heavy duties and prohibitions, interfere with and disturb the *natural* course of national prosperity. (ibid, p.42-3)

That I have, by the foregoing remarks, exhausted the vast subject of the natural science of the production of wealth, or even glanced at numberless natural circumstances which influence production, I cannot suppose; yet I have set before the reader all those usually noticed in treatises of Political Economy. Moreover, I have included the influence of knowledge, and have endeavoured to ascertain the natural source of its progressive increase. (ibid, p.258)

the principles of the science of the production of wealth are expressions of natural facts. (Hodgskin, *E.*, 27<sup>th</sup> Nov. , 1852, p.1327)

not contrasted, as I might have done, the works of nature and man, Not that I am one of those ascetics, who think man can effect nothing good within his proper sphere, his works are noble, and no person admires them more than I do, his manifold and wondrous achievements in every branch of art. (Hodgskin, 1832, p.186)

Thereby Hodgskin admitted that his work was not intended to contrast nature and artificial in the sense of the “works of nature and man”. In this case we might ask why the term *Artificial* appeared in his book’s title when it seems evident that he could have used *Legal*. It may have been that a legal right must be a man-made or artificial right and so the use of the more general term did not preclude the more specific. It could have been a decision made to make the book more palatable for general publication, or to alleviate the possibility of legal repercussions.<sup>150</sup>

It may have been that Hodgskin’s journalist instincts led him to take advantage of the common prejudice of the time that placed nature and the artificial in opposition to get his work to a wider audience.

Another alternative is that Hodgskin recognised that it was not solely legal laws that determined the right of property but also, (though not wholly un-associated) social conventions and relations allied with rule by government, a theme he had previously broached.

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<sup>150</sup> In his *Dedication* (to George Birkbeck) which opened his earlier *Popular Political Economy* (1827) Hodgskin had appealed for security from persecution because of his beliefs:

I trust our countrymen are now much too liberal and enlightened to be offended with the honest expression of such an opinion: I do not court either persecution or martyrdom for my political faith, if there are now any man so attached to existing systems, as to think that he who does not believe in their efficacy ought to be hanged or burned; and it is only under the confident assurance that no man by our liberal countrymen, and under a *soi-disant* liberal government, will be persecuted on account of opinions, that I venture to place your respected and honoured name at the head of some that are at variance, I am afraid, with the political creed of the great majority of men. (Hodgskin, 1827a, p.xv)

It may have been that by 1832 he could no longer rely on the protective patronage that he had previously been able to, knowing that his links to James Mill, Bentham and earlier associates had been acrimoniously severed. The title may have just reflected an expedient avoidance of conflict.

The possibility is also left open for our contention that by artificial Hodgskin encompassed what might nowadays be seen as the exogenous and that these other factors, such as conventions as well as social and political relations outside an abstract economical “proper sphere”, could be envisaged as exogenous.

### **The Social**

In *Popular Political Economy* (1827) rather than contrast nature and artifice Hodgskin contrasted the natural with the social.

The whole of these circumstances [which influence the productive power of labour] may be divided into two classes; *firstly*, NATURAL CIRCUMSTANCES, or laws not dependent on, or derived from government, – such as the passions and faculties of man, the laws of his animal existence, – and the relations between him and the external world; and, *secondly*, SOCIAL REGULATIONS, depending on, or originating with governments, – such as those permanent laws which appropriate the soil of the country, or which bestow on it a constitution, establishing a diversity of ranks among its inhabitants; as well as the laws for the regulation of trade and the acts of Administration, many of which are expressly intended to add to the wealth of society, or determine its distribution. (Hodgskin, 1827a, p.23-4)

So here Hodgskin verbally opposed the natural and social but the social was again, as we have already seen with *Artificial*, apparently restricted to government and its legal enactments. The first six chapters of *Popular Political Economy* dealt with what could be seen as the natural progression of society and particularly knowledge as influences upon labour’s productiveness. Indeed chapter three is entitled – *Natural Laws which regulate the Progress of Society and Knowledge*. In this and other chapters Hodgskin made his point that the progress or development of societies tended to certain regularities which could be construed to be universal, scientific or natural laws.

Thus when we call to mind the uniformity of the progress of civilization in its early stages – man having everywhere, as far as history reaches, gradually passed successively through the stage of naked savage living on wild fruits, of a hunter feeding on flesh, almost as wild and ferocious as the wild beasts with which he contended for prey, of a shepherd domesticating and rearing the animals he found it difficult to catch by hunting, and ultimately of an agriculturist, raising vegetable food for himself, and for the animals he destines for his own use, – acquiring therefore

successfully, in all places, *the knowledge* which enables him first to hunt and ensnare wild animals, next to domesticate them, and finally to cultivate the ground; when we recollect this *uniformity* in the progress of our race, we can hardly fail to suppose that it must be regulated by some general law. (Hodgskin, 1827a, p.83-4)<sup>151</sup>

Thus we should have little doubt that Hodgskin conceived human action and what might be seen as the artificial as part of nature and subject to Natural laws.

### **Hodgskin's Natural Laws**

When Hodgskin discussed natural laws it was to the same immutable powers that Mill was to refer to:

The words, laws of nature, decrees of nature, which I so freely use, are certainly imposing phrases, and when we speak of such decrees in the material world, we mean an irresistible power which man can neither change nor influence. (Hodgskin, 1832, p.58)

There are definite undertones of Hodgskin's faith in the existence of benevolent intentionality in nature (which we discuss later), which enabled him to write of decrees rather than simple statement of facts or circumstances, in J.S. Mill's sense. A discussion of the meaning of the word Law found in James Mill's *Law of Nations* (1825), throws some light on the issue.

In the meaning of the word Law, three principles are involved; that of Command, that of a Sanction, and that of the Authority from which the command proceeds. Every law imports, that something is to be done; or to be left undone. (Mill, 1825, p.3)

This illustrates a possible difference with J.S. Mill's natural laws which are exclusively presented as positive descriptive explanations of reality. With James

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<sup>151</sup> This notion of the production of natural or general laws was consistent with Mill's as expressed in *Nature* (1874);

Since all phenomena which have been sufficiently examined are found to take place with regularity, each having certain fixed conditions, positive and negative, on the occurrence of which it invariably happens; mankind have been able to ascertain by direct observation or by reasoning processes grounded on it, the occurrence of many phenomena; and the progress of science mainly consists in ascertaining those conditions. When discovered they can be expressed in general propositions, which are called laws of the particular phenomenon, and also, more generally, Laws of Nature. (Mill, 1874, p.6)

Mill and Hodgskin the expression of natural laws carried undertones of apparent normative statements with the mention of “Authority” and “decrees”.<sup>152</sup>

Scientific understanding was conceived as beginning with the recognition of how objects react in given situations, before changing those situations, observing how reactions change and then coming to an understanding of why those reactions differ.<sup>153</sup>

His [mankind’s] highest wisdom then, at all times, consists in ascertaining the facts of the material world, and regulating his conduct by them. From them he deduces rules, or he generalizes them, and calls them laws of nature, (Hodgskin, *E.*, 8<sup>th</sup> Sept. 1855, p.980)

Since all phenomena which have been sufficiently examined are found to take place with regularity, each having certain fixed conditions, positive and negative, on the occurrence of which it invariably happens, mankind have been able to ascertain, either

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<sup>152</sup> A reconciliation of this seeming contradiction can be found in Karl Popper’s *Logic of Scientific Discovery* (1959) which used the term Nature Law in the same sense as J.S. Mill and argued that normative statements can be seen rather as negations of existential statements. Thus J.S. Mill’s positive position can be aligned with Hodgskin’s more emotive language that talked of necessities and imperatives.

The theories of natural science, and especially what we call natural laws, have the logical form of strictly universal statements; thus they can be expressed in the form of negations of strictly existential statements or, we may say, in the form of *non-existence statements* ... In this formulation we see that natural laws might be compared to “proscriptions” or “prohibitions”. They do not assert that something exists or is the case they deny it. They insist on the non-existence of certain things or states of affairs, proscribing or prohibiting, as it were, these things or states of affairs: they rule them out. And it is precisely because they do this that they are *falsifiable*. (Popper, 1959, p.48)

Hodgskin’s use of natural laws can sometimes be seen to have combined the use of the descriptive and, by turn of phrase, the proscriptive:

Man is doomed to eat bread by the sweat of his brow; and naturally those who do not work can have nothing to eat. If we do not labour, we can have no food, and must inevitably perish. This is as certain as any axiom of mathematics; ... the necessity for man to labour ... is a law of the universe, like the principle of gravity. (Hodgskin, 1827a, p.27-8)

<sup>153</sup> Hodgskin’s successor at *The Economist* Walter Bagehot made a similar point regarding the discovery of natural laws as a scientific process:

The discovery of a law of nature is very like the discovery of a murder. In one case you arrest a suspected person, and in the other you isolate the cause. (Bagehot, 1885, p.19)

[Alfred Marshall’s *Preface to Bagehot’s Postulates of English Political Economy* (1885) noted that the material in that work had been previously published in the *Fortnightly Review* of 1876, shortly before Bagehot’s death in 1877.]

by direct observation or by reasoning processes grounded on it, the conditions of the occurrence of many phenomena; and the progress of science mainly consists in ascertaining those conditions. When discovered they [the regularities] can be expressed in general propositions, which are called laws of the particular phenomenon, and also, more generally, Laws of Nature. (Mill, 1874, p.5-6)

The use of the term nature might be conceived as tautological, such that the word Law would be sufficient. However, within economics, particularly within Hodgskin's writing, the distinction between these natural or scientific laws and legal laws was important, and so the clarification the use of natural brought was appropriate.<sup>154</sup>

### **Nature's Beneficence**

The fundamental idea from which Thomas Hodgskin starts is essentially the same as the one from which François Quesnay and Adam Smith had started: the conviction that there is a great and beneficial order of the universe which comprises the human and physical worlds alike. (Stark, 1943, p.52)

That this was so can be seen in his early writings, but as Stark noted this was the usual attitude of the period in which Hodgskin wrote.<sup>155</sup> Such an attitude can be seen within the debate that Malthus instigated regarding population. Given that the world inevitably contained suffering the issue was whether it as a necessary evil arising from the laws of nature (God's will) or was it due to human interference with nature's (God's) grand design?

By one party of reasoners, general poverty is attributed to natural and unalterable laws; by another it is said to be altogether the result of social institutions. (Hodgskin, 1827a, p.265)<sup>156</sup>

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<sup>154</sup> The fact that many writers wrote both on Political Economy and Jurisprudence (Smith, Hodgskin, the Mills, Senior, Scrope and numerous others) made this distinction particularly necessary at this period of the 19<sup>th</sup> century. O'Brien also noted the "legal training" and "professional interest" of many Classical economists: Senior, Cairnes, Fawcett, Francis Horner, Longfield, West, Wheatley and Lord Lauderdale (O'Brien, 2004, p.11).

<sup>155</sup> Hodgskin made the point that a belief in the persistence of universal order (and laws) was apparently innate to human understanding:

there is a principle in our nature – a law of our mind, by which we at all times believe in the invariability of the order of the universe. (Hodgskin, 1827a, p.31)

<sup>156</sup> Such was Hodgskin's belief that natural laws were the basis of political economy, the claim that natural laws could end in negative results seemed to have perturbed him:

Hodgskin adopted the latter position, that suffering was not a necessary (or natural) evil but the result of man's interference in the benevolence of God or nature.<sup>157</sup>

Men attribute to nature the evil which is caused by social institutions, and are led by their reverence, or rather their idolatry of the wisdom of their ancestors, to doubt the wisdom of the Deity. (ibid, p.37)

The whole system of social production must be considered, like the solar system, as a part of the universe, which man may observe and know, but cannot regulate. He may thwart for a time the benevolent views of his Creator, but he is invariably admonished, by the misery which ensues, of his having done wrong. ... As it will undoubtedly be regulated and controlled in every minute part, and at all times, by the same hand that placed man on the earth, and gave to the embryo of the forest tree a living power to shoot upward, overcoming the ruling principle of matter, there is reason to believe that it will be perfect, like the Master Power from which it emanates. (ibid, p.261-2)

This faith in a benevolent intentionality, exemplified here in Hodgskin, was attacked by Mill in the final paragraph of his *Nature*:

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We are all subjects of Nature, and we can only be either happy or great by obeying her laws. And if Rent, such as it at present exists, be according to Mr. Ricardo the natural result 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.

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. (Hodgskin, *LP.*, 28<sup>th</sup> May 1820)

<sup>157</sup> Hodgskin seemed to have been of the view that *Nature* and God could be conceived of as the same entity.

for Matter, God and Nature appear to me to be three words nearly synonymous, the first and the last expressing our continued perceptions while the middle one expresses the signs of power benevolent and uniform with which we are accompanied (Hodgskin, *LP.*, 18<sup>th</sup> Feb. 1816)

It is interesting to note that Isaac Newton, in his *Principia*, had also associated God and *Nature*. In contrast to Hodgskin, Newton distinguished the two in terms of beneficence and final cause.

a god without dominion, providence, and final causes, is nothing else but Fate and Nature. (Newton, 1687, p.442)

A discussion of this theological distinction between reality with or without God's determining dominance could be linked to a contention on the association or identity of Aristotelian First and Final Causes, which is belong the scope of this thesis.

The scheme of Nature, regarded in its whole extent, cannot have had, for its sole or even principal object, the good of human or other sentient beings. What good it brings to them is mostly the result of their own exertions. Whatsoever, in nature, gives indication of beneficent design proves this beneficence to be armed only with limited power; and the duty of man is to cooperate with the beneficent powers, not by imitating, but by perpetually striving to amend, the course of nature - and bringing that part of it over which we can exercise control more nearly into conformity with a high standard of justice and goodness. (Mill, 1873, p.65)<sup>158</sup>

However there is an inconsistency in this passage; namely that, if, as Mill had earlier shown, nature “is a collective name for all facts, actual and possible” (ibid, p.6), then amending “the course of nature” would be impossible if amendments could only facilitate what was already possible.

The issue of the benevolence or otherwise of Nature, whilst undoubtedly colouring the views of some economists, is not itself a subject resolvable within economics. What is important is to observe whether an economist’s faith or theology materially interfered with the validity of their economic analysis.<sup>159</sup>

Whether running contrary to the laws of reality was disadvantageous or not, is a subjective assessment. Whether actions to improve upon Nature are an unnecessary (or waste of) effort with detrimentally effects, particularly in the case of economic growth, could be seen as a more objective question. Harking back to the oft used analogy of a fountain; understanding the appropriate natural laws (i.e. gravity) enables us to stipulate what actions are necessary if we require a result apparently at odds with that natural law (i.e. getting water to raise up in the air); i.e. that actually utilizes a natural law rather than breaks it.<sup>160</sup>

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<sup>158</sup> A similar expression of artificial means as the improver of *Nature* can be seen in Mill’s *System of Logic* (1843).

we may hereafter succeed not only in looking forward into the future history of the human race, but in determining what means may be used and to what extent, to accelerate the natural progress in so far as it is beneficial; (Mill, VIII, p.929)

<sup>159</sup> Just as we might note that an economist was a Christian but not delve into the rights and wrongs, or validity of Christianity.

<sup>160</sup> The gravitational analogy was often use by Hodgskin, particularly in *Popular Political Economy* (e.g. Hodgskin, 1827a, p.28-29), and also by John Rooke (1819, p.5). Even the fountain parallel can be found:

As this applies to Hodgskin's economics we can investigate what conditions would be necessary to achieve economic growth (in terms we will discuss subsequently) given the difficulties of an increasing population and diminishing returns in production.

Mill's point regarding nature's ambivalence to human welfare can be decomposed to several issues, which we can address;

- Was change possible?
- If so, was change inevitable?

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Admitting that men have, to a certain degree, the power of throwing the necessity to labour off their own shoulders; as they may alter the direction of the influence of gravity, in making a fountain rise from the earth into the atmosphere; the question occurs, will throwing off this necessity, by the appropriation of other men's produce, not be followed by certain and inevitable consequences? (Hodgskin, 1827a, p.30)

J.B. Say also employed the fountain and gravity analogy.

But *facts that take place* may be considered in two points of view; either as *general* or *constant*, or as *particular* or *variable*. *General facts* are the results of the nature of things in all analogous cases; *particular facts* as truly result from the nature of things, but they are the result of several operations modified by each other in a particular case. The former are not less incontrovertible than the latter, even when apparently they contradict each other. In natural philosophy, it is a general fact, that heavy bodies fall to the earth; water in a fountain, nevertheless, rises above it. The particular fact of the fountain is a result wherein the laws of equilibrium are combined with those of gravity, but without destroying them. (Say, 1821, p.xviii)

A very similar expression can also be found in George Pryme's *An Introductory Lecture and Syllabus to a Course delivered in the University of Cambridge on the Principles of Political Economy* (1823) would indicate:

But it has not perhaps been sufficiently remarked, that there are two kinds of facts, *general* or constant facts: and *particular* or variable facts. General facts are results from the *nature* of things in all similar cases; as in Physics it is a general fact, that a heavy body falls to the earth. Particular facts are the results of several actions or causes modified by one another in a peculiar case; it is a particular fact, that the water of a fountain rises from the earth. The one kind of facts is as incontestable as the other, even when they seem contradictory. The particular fact of the fountain is the result of a case where the laws of equilibrium in fluids combine with those of gravity, and counteract them; but without in the least disproving the truth of either. But the mere matter of fact man might argue thence, that it is a property of heavy fluids to rise from the earth: and indeed inferences as decidedly, though not as obviously absurd, are perpetually advanced on legislative subjects, by this ill and opinionative class of men. The maxim that the more ignorant a man is of the science he affects to talk about, the more dogmatical he becomes, is particularly true in Political Economy. (Pryme, 1823, p.7-8)

- If change did occur, was change in physical and moral (or non-human and human) spheres identical?
- How could one determine whether change was actually progress?

Indeed there was extensive deliberation over these issues, particularly as they affected human society, in the early 19<sup>th</sup> century. The two main British expressions, around which that debate focussed were Godwin's *Enquiry Concerning Political Justice* (1793) and other works, together with Malthus's response to Godwin, his *An Essay on the Principle of Population* (1798, 1803, 1817).<sup>161</sup>

### **The Perfectibility Debate**

This debate was seen to resolve around the perfectibility of man. Malthus wrote that the main issue that his *Essay on Population* addressed related to whether change was possible.

It has been said, that the great question is now at issue, whether man shall hence-forth start forwards with accelerated velocity towards illimitable, and hitherto unconceived improvement; or be condemned to a perpetual oscillation between happiness and misery, and after every effort remain still an immeasurable distance from the wished-for goal. (Malthus, 1798, p.2)<sup>162</sup>

Malthus admitted his own view "of human life has a melancholy hue" (ibid, p.iv) since "the argument is conclusive against the perfectibility of the mass of

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<sup>161</sup> Malthus wrote that his *Essay* was in fact, directly stimulated by Godwin's 1797 collection of essays *The Enquirer*:

The following Essay owes its origin to a conversation with a friend, on the subject of Mr. Godwin's Essay, on avarice and profusion, in his *Enquirer*. (Malthus, 1798, p.i)

<sup>162</sup> Malthus's opinion, especially as expressed in the first edition (1798) of his *Essay*, seems to have been that man could not gain perfection "on earth" because of the "evils" resultant from his principle of population. These earthly evils were however viewed as God's preparation of the soul to attain its reward in the afterlife.

The view of human life, which results from the contemplation of the constant pressure of distress on man from the difficulty of subsistence, by shewing the little expectation that he can reasonably entertain of perfectibility on earth, seems strongly to point his hopes to the future. (Malthus, 1798, p.348)

Earthly pain and evil were, for Malthus, obviously God's intentional mechanism for preparing mankind for the hereafter. Thus human perfectibility would run contrary to God's intentions and would be debarred by a perfect God.

mankind" (ibid, p.v).<sup>163</sup> It appears that this melancholy was not only common but almost conceived of as a mark of astuteness. In his speech *Perfectibility* (2<sup>nd</sup> May 1828), John Stuart Mill made this point.

I know that among all that class of persons who consider themselves to be par excellence, the wise and the practical, it is esteemed a proof of consummate judgement, to despair of doing good. I know that it is thought essential to a man who has knowledge of the world, to have an extremely bad opinion of it: and that whenever there are two ways of explaining any fact, wise and practical people always takes that way which attributes most folly, or most immorality, to the mass of mankind. (Mill, XXVI, p.428)

Despite Mill's view of society's generally pessimistic attitude, Malthus's second edition of his *Essay* was both less theological and, Malthus apparently thought, less melancholic than the first. It did, however, not hold out much hope of structural change within society.<sup>164</sup>

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<sup>163</sup> The Malthusian case was that it "is the constant tendency in all animated life to increase beyond the nourishment prepared for it" (Malthus, 1803, p.2). The inevitability of diminishing returns to food production due to the inevitability of falling soil fertility, excluded any possible general improvement in conditions for humanity.

Man is necessarily confined in room. When acre has been added to acre till all fertile land is occupied, the yearly increase in food must depend on the amelioration of the land already in possession. This is a stream, which, from the nature of the soils, instead of increasing, must be gradually diminishing. (ibid, p.5)

It was against this assumption of the inability of productivity to improve that was, as we will discuss latter in this thesis, Hodgskin's main argument against Malthus, and the mainspring of his notion of economic growth.

<sup>164</sup> The notion that the term "dismal science" was penned by Thomas Carlyle in reference to political economy as a whole but not to Malthus or Ricardo in particular, is concisely shown in Robert Dixon's paper *The Origin of the Term "Dismal Science" to Describe Economics* (1999). Dixon illustrates that the term was used by Carlyle with reference to his pro-slavery position.

He [Carlyle] writes of those who argued that the forces of supply and demand rather than physical coercion should regulate the labour market that: "the Social Science ... which finds the secret of this Universe in supply and demand and reduces the duty of human governors to that of letting men alone ... is a dreary, desolate, and indeed quite abject and distressing one; what we might call ... the dismal science" ([*Collected Works of Thomas Carlyle*] Volume 11, p 177). He also uses the term "dismal science" in a derogatory way a number of times later in the work, where it is lumped together with other unwelcome (to Carlyle) features of the political scene as "ballot boxes", "universal suffrage" and "Exeter-Hall Philanthropy". (Dixon, 1999)

A strict inquiry into the principle of population leads us strongly to the conclusion, that we shall never be able to throw down the ladder by which we have risen to this eminence; but it by no means proves that we may not rise higher by the same means. The structure of society, in its great features, will probably always remain unchanged. We have every reason to believe, that it will always consist of a class of proprietors, and a class of labourers; but the condition of each, and the proportion which they bear to each other, may be so altered as greatly to improve the harmony and beauty of the whole. It would, indeed, be a melancholy reflection, that, while the views of physical science are daily enlarging, so as scarcely to be bounded by the most distant horizons, the science of moral and political philosophy should be confined within such narrow limits, or at best be so feeble in its influence, as to be unable to counteract the increasing obstacles to human happiness arising from the progress of population. (Malthus, 1803, p.604)

In his article *The Claims of Labour* for the *Edinburgh Review* (April 1845) Mill saw definite positives for society's subsequent understanding of perfectibility stemming from Malthus's work.

For several reasons, it will be useful to trace back this philanthropic movement to its small and unobvious beginnings – to note its fountain-head, and show what mingled streams have from time to time swelled its course.

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Dixon also noted that it was J.S. Mill who initially responded to Carlyle's original article *Occasional Discourse on the Negro Question* published in *Fraser's Magazine* in December 1849.

It was the economist John Stuart Mill who responded to Carlyle in the next issue of *Fraser's Magazine*. Mill argues that the "law" which propels Carlyle is "the law of the strongest", "a law against which the great teachers of mankind have in all ages protested" (Mill, 1850, p 87) and says that history teaches us that human improvement comes not from the tyranny of the strongest but instead from the struggle against such tyranny. Mill remarks that if people are to be compelled to work because 'work' is so good for them then surely "we would not hold from the whites, any more than from the blacks, the 'divine right' of being compelled to labour" (p 92). Mill especially objects to Carlyle's notion "that one kind of human beings are born servants to another kind" (p 92) and says that if, as Carlyle asserts, "the gods will this, it is the first duty of human beings to resist such gods" (p 87). Mill ends his piece by expressing regret that Carlyle had offered substantive support for the institution of American slavery "at a time when the decisive conflict between right and iniquity seems about to commence" (p 95). By providing such support, Mill concludes, Carlyle has done "much mischief" (ibid). (Dixon, 1999)

We are inclined to date its origin from an event which would in vulgar apprehension seem to have a less title to that than any other honourable distinction – the appearance of Mr. Malthus's *Essay on Population*. Though the assertion may be looked upon as a paradox, it is historically true, that only from that time has the economical condition of the labouring classes been regarded by thoughtful men as susceptible of permanent improvement. We know that this was not the inference originally drawn from the truth propounded by Mr. Malthus. Even by himself, that truth was at first announced as an inexorable law, which, by perpetuating the poverty and degradation of the mass of mankind, gave a *quietus* to the visions of indefinite social improvement which had agitated so fiercely a neighbouring nation. To these supposed corollaries from Mr. Malthus's principle, it was, we believe, indebted for its early success with the more opulent classes, and for much of its lasting unpopularity with the poorer. But this view of its tendencies only continued to prevail while the theory itself was but imperfectly understood; and now lingers nowhere but in those dark comers into which no subsequent lights have penetrated. The first promulgator of a truth is not always the best judge of its tendencies and consequences; but Mr. Malthus early abandoned the mistaken inferences he had at first drawn from his celebrated principle, and adopted the very different views now almost unanimously professed by those who recognise his doctrine. (Mill, IV, p.366-7)

Not only did Mill claim that the effective improvement of society only became a concern following Malthus's *Essay*, but that only those who acknowledged Malthus's principle of population were making any serious contribution to its intellectual debate.

And, the doctrine being brought thus into conflict with those plans of easy beneficence which accord so well with the inclinations of man, but so ill with the arrangements of nature, we need not wonder that the epithets of "Malthusians" and "Political Economists" are so often considered equivalent to hard-hearted, unfeeling, and enemies of the poor; accusations so far from being true, that no thinkers, of any pretensions to sobriety, cherish such hopeful views of the future social position of labour, or have so long made the permanent increase of its remuneration the turning-point of their political speculations, as those who most broadly acknowledge the doctrine of Malthus. (ibid, p.368)

Despite this claim, Thomas Hodgskin was one of those who were anti-Malthusian yet conceived that social progress was possible.

Our feelings are hostile to his theory; and without pretending to controvert it, the Author has endeavoured to show, that the true principles of production justify the prejudices of mankind, and strengthen that confidence the most enlightened of our species were most disposed, prior to the unhappy celebrity obtained by *The Essay On The Principle Of Population*, to place in the wisdom and goodness of that Power, which sustains, informs, and regulates the moral as well as the material world (Hodgskin, 1827a, p.xix)<sup>165</sup>

As Halévy noted, so anti-Malthusian was Hodgskin that he wrote a now lost article on Population that he sent to Francis Place to forward to William Godwin, in May 1820. It was not forwarded by Place who was very much pro-Malthusian, nor was it published :-

Twice the article was refused. Malthusianism had become one of the dogmas of the Liberal party, not to be refuted in a Whig publication. (Halévy, 1956, p.60)

All that remains of Hodgskin's essay on population is a summary he sent to Place, the conclusion of which forms a précis of Hodgskin's notions on population that we will return to later in our discussion of growth.

### **Nature as Prime Cause**

Hodgskin seems to have believed that Nature was the prime cause from which all else followed.

It is a law of our being, that we must eat bread by the sweat of our brow ... When nature stamped this law on us, and on the external world, she undoubtedly regulated and determined, through the endless succession of time, all its possible consequences. (Hodgskin, 1827a, p.28)

However, like any other natural or physical law, man could choose to follow or utilise that law, or he could choose to operate in opposition to it.

She left us to choose between starvation and labour; between holding the plough ourselves, and carrying a whip to make another hold it for us; between subsisting ourselves by our honest exertions, or basely or violently plundering some other persons; but she fixed beyond our control the consequences of our choice. There is ample reason to suppose, therefore, that all the minute

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<sup>165</sup> The more detailed account of Hodgskin's anti-Malthusian principle of population will form part of our chapter *Price*, where the productive benefits of additional population evident with the long term fall in natural prices, will be discussed.

branches of the production and distribution of wealth, are regulated and controlled by circumstances flowing from the necessity to labour; just as every part of the material world is regulated and controlled by natural laws. As gravity determines the stability of bodies on the globe, their motion towards the centre of the earth, and even the motion of those which seem to resist its power - they being forced upwards by the superior gravity of some other bodies - and regulates also the motion of the globe itself, as well as the motions of all the heavenly orbs; so the necessity to labour makes its influence felt, even in those cases, such as the steam-engine, in which man seems almost to have subdued Nature, making her perform the task she imposed on him. In such cases, the powerful instruments are made by labour; they require continual repair, which is done by labour; and they must always be directed and set in motion, which is also labour, by the hand of man. (Ibid, p.29)

Thus Hodgskin accepted that man's actions could conflict with natural laws, but if he did so act there would eventually be negative consequences to bear. Not only would these penalties have to be borne but eventually the ascendancy of the natural laws would be restored; in much the same way that despite man's ingenuity in fountain construction gravity would eventually return all the water to ground level.

It was this conviction in the supremacy of natural laws that was the foundation of Hodgskin's imperative against practical political action. Much of *Natural and Artificial Right of Property Contrasted* argued that laws attempted to preserve social relations and legal rights of property that were contrary to natural laws and social progress, but that as natural laws are the dominant factor they would tend to supersede legal enactments.

My argument is, that those great changes which the law did not ordain, were effected in spite of the law. The law-maker, instead of facilitating the emancipation of villeins, did what he could to prevent it, but his ambition and his greed were overpowered by the beneficent operation of natural laws. Improvements in art and science, the introduction of commerce and manufactures, consequent upon multiplication of the species,—to all of which, except perhaps the last, which he has opposed indirectly by misappropriating the produce of industry, the law-maker has in general been excessively hostile, brought about the abolition of personal slavery. (Hodgskin, 1832, p.94)<sup>166</sup>

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<sup>166</sup> A point Hodgskin reiterated in *Peace, Law, and Order* (1843):

This assurance in the dominance of natural laws over legal laws was such that Hodgskin did not conceive that legal laws could even reverse the “damage” done by previous laws. The best policy was to let natural laws take their course to supplant the effects of legal laws:

The inefficacy of laws applies to reforming the laws ... Bad laws therefore should not be swept away by new laws, but be suffered to fall into desuetude, which is for all parties a gradual and safe extinction of evil. (ibid, p.123)

Legislature is not competent even to redress the wrong it enacts without causing some misery. (Hodgskin, *E.*, May 26<sup>th</sup> 1849, p.573)<sup>167</sup>

Thus nature would necessarily cause society to progress, albeit with temporary delays resulting from human attempts to circumvent or avert such progress.

the progress of society is one continual stream of improvement, however much at variance with it temporary aberrations may appear to our short-sighted view. (Hodgskin, *BN.*, March 12<sup>th</sup> 1862)

### **Hodgskin’s Notion of Progress**

In what we have presented so far it should be evident that Hodgskin had an unflinching assurance in progress as a natural inevitability. Reasonably we might ask how such progress could be recognised and qualified. Werner Stark

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The relations between landlord and tenant, capitalist and labourer, which is a relationship growing out of slavery, and between master and servant, are not created by nature, and they form no part of the natural order of society. They are the off-spring of conquest, the result of almost forgotten usurpations, which the extension of the natural order of society has a continual tendency to overrule and destroy. Gradually, the lord enforcing his will with the battle axe and sword, and the trembling thrall working with a fetter round his arm on which was branded the name of his master, have disappeared from amongst us; and a numerous middle class, of which all the members are equal to one another, the offspring of division of labour and mutual exchange, has supplied their place. The effects of the original wrong, however, still fester in the constitution of society. We suffer now from the consequences of ancient usurpations which must be outgrown, and can only be outgrown by the extension of the system of division of labour, of mutual buying and selling and mutual service – or free trade, before the natural social order I have described can reign supreme and bestow on man the happiness it is destined to confer on him. (Hodgskin, 1842, p.16)

<sup>167</sup> Such statements, especially when linked back to his notion of the prime causation for society, show where Hodgskin’s anarchism can be seen originating in his concept of nature.

in his *The Ideal Foundations of Economic Thought* (1843) illustrated how this was founded in Hodgskin's theory of population.

While both the physical and the moral world are governed by beneficent laws divine, Hodgskin taught, the laws of the physical world are static in their beneficence, while the laws of the moral world are dynamic: The vital principle of society", he says, the principle "which distinguishes it from every other part of creation [is] that of steady progression in improvement" (*Right of Property*, p.3). And he indicates the moving force which drives society forward on its way of ever-increasing welfare: "The laws of population", he boldly states, defying the authority of Robert Malthus, are the "clue to the whole" (*Ec[onomist]*, 1848, p.604). "The increase of population ... carries with it all the necessities for increasing subsistence, increasing knowledge, and increasing art, which are at all times observed<sup>168</sup> ... It is the germ and essence of all civilisation" (*Ec[onomist]*, 1849, p.1060). (Stark, 1943, p.86-7)

Hodgskin saw that a nation's wealth was related to the size of its population – "The foundation of all national greatness is the increase of the people" (Hodgskin, 1827a, p.26). However this statement related to dynamic increases rather than the simple static size of the populace. The initial response to such a claim might be that if the population increased but there was no increasing supply of commodities for that increased number, their average condition could fairly be said not to have improved.

If we are to have an ideal of social progress it would probably not include a situation where, as a whole, less material wealth was available. Some of Hodgskin's contemporaries referred to happiness rather than wealth as the social aim or measure of wellbeing, but Hodgskin recognised there were problems with a concept of happiness.<sup>169</sup>

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<sup>168</sup> Werner Stark own footnote here commented that:-

The conviction that the increase of population is, not the source of all evil, but the source of all good, was, in Hodgskin, the result of a definite scientific theory and not of a blind preconceived belief. Yet, he never and nowhere explicitly stated and developed his doctrine, which would have been a complete refutation of Malthus's Principle of Population. The reason is simply this, that Hodgskin, in his 82 years of his life, never was in a position to devote the necessary time to his higher pursuits. (Stark, 1943, p.87n)

<sup>169</sup> For example, in William Thompson's *An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness*, (1824) and John Gray's *Lecture on Human Happiness*, (1825)

Happiness being a very indefinite term, let us substitute for prosperity, or wealth; (Hodgskin, 1832, p.80)

Hence our proposal would be to conceive Hodgskin's notion of progress as linking together the ideas of an increasing population with increased prosperity for that population. From an economical stance, especially with reference to Hodgskin's *Popular Political Economy*, Hodgskin's concept of economic growth was one that combined a situation of an increasing population with a fall in prices of commodities, or rise in real wages.

In *Popular Political Economy* Hodgskin demonstrated that prices, in his sense of natural prices, tended to fall in the long term. This propensity was effectively a natural law, and thus, as we have seen would have had the tendency to overcome whatever manmade obstacles were put in its place.

Whether Hodgskin was correct in his faith in a benevolent providence or not, can be seen as secondary, especially in a value free science that he, Mill and others came to envisage. Once the principle is assumed that the economy is subject to laws of nature, then establishing and understanding those laws becomes the prime object of inquiry.

## Section two

# The Natural

### **Introduction**

We need to be clear as to the distinction between nature and what is meant by natural. By nature Hodgskin meant that which existed as a result of the laws of physics. Thus all that existed, by virtue of this all encompassing definition, must be part of that nature. Hence, as J.S. Mill had pointed out, everything must be natural as nothing could exist outside of those laws of physics. Thereby any distinction between the natural and the artificial was meaningless, given that nothing artificial, thanks to the laws of physics could exist.

Nevertheless Hodgskin did make a distinction that, unless we choose to ignore it, must be explained or understood, if we are to reconstruct his ideas on price and growth that were so important to his economics. To this end this section will concentrate on his use of the term natural as he specifically applied it within his economics.

### **A Qualified *Nature***

If the term nature is used unqualified then indeed nature would be a comprehensive all-embracing concept, from which there could be little (if anything) considered outside its realm. However if we use the term nature as signifying all those conditions resultant from the laws applicable to a specific situation being considered, then within such an abstractly limited state of affairs, nature becomes those conditions that result from that specific set of circumstances we are considering. Such an abstractly qualified nature is thus not only limited to that isolated situation, but by the laws uniquely pertinent to those circumstances. Thus, bearing in mind that the terms endogenous and exogenous were expressions unavailable to Hodgskin in the early nineteenth century, within such hypothetical isolations what is artificial simply becomes what is exogenous to the limited field of consideration. In a similar manner what is natural is that which is endogenous or within the particular sphere or discipline under our consideration.

Hence our contention is that when Hodgskin, in his economic considerations, was writing about the natural it was applicable to such an abstract economical nature or what might be regarded as endogenous to an abstract isolated economy or economic situation.

### **The Scope of *Popular Political Economy***

If we focus on his economic writings, specifically as expressed in *Popular Political Economy*, we can find this effectively articulated in his *Introduction*. Firstly he limited the scope of his deliberations:

And thus the whole science of political economy is comprised, as already stated, within the circumstances which influence the productive power of labour, and determine the distribution of its products. (Hodgskin, 1827a, p.23)

As we have previously seen political economy for Hodgskin was essentially a consideration of labour; it was “the passions and faculties of man, the laws of his animal existence, and the relations between him and the external world” (ibid) that were the crucial and permanent issues for economics;

It is with these natural interests, passions, instincts, and affections, and with their consequences, they not being suspended at any moment, and continuing to operate as powerfully when society is in its most advanced state as at its commencement, that political economy principally deals. To them *this* book will be almost exclusively confined; on them, and on their permanency, together with the permanency of those laws by which the material world excites sensations in us, at all times and places, is founded the natural science of national wealth. In every subsequent page they will find a prominent place. (ibid, p.25)

It becomes clear as his *Introduction* progresses that, despite his somewhat less than focused examples, Hodgskin was laying out his method as one that abstracted the purely economical out from the whole field of human endeavours. *Popular Political Economy* was concerned with the purely economical or as he labelled it natural circumstances:-

We have first, therefore, to *discover* all the natural circumstances which influence production and distribution at all times and places; and by them, as a test, we *examine* the effects of social regulations. Before we can possibly tell what influence is exercised by the latter, we must ascertain all the former. (ibid, p.35)

## Deductive or Inductive Reasoning

It must be remembered that the words inductive and deductive when applied to logical reasoning were not, when Hodgskin wrote *Popular Political Economy*, always used with the same meaning and distinction that they are today. This can be seen exemplified in Richard Whately's *Elements of Logic* (1826), which before Mill's *System of Logic* (1843) was considered a leading authority on the subject. When discussing whether induction was a form of syllogism Whately noted that the term induction was often applied inconsistently:<sup>170</sup>

The inaccuracy seems chiefly to have arisen from a vagueness in the use of the word Induction; which is sometimes employed to designate the process of investigation and of collecting facts: sometimes, the deducing of an inference from those facts. (Whately, 1826, p.151)

Although Hodgskin applied italics to the words *discover* and *examine*, he did not clarify exactly what he meant by these words or the emphasis he intended to imply. It would seem that by *examine* he meant look at particular incidences and arrive at general answers or understanding in an inductive manner.

The word *discover* might initially also seem to carry inductive connotations however dictionaries of the time stress *examine* as a testing of evidence and observing what is known, whereas *discovery* implies making known what would otherwise be unknown or unseen;

To Discover ... To disclose, to bring to light; to make known; to find out, to espy. (Walker's, 1831, p.151)

Therefore it would seem that he was contrasting the two distinct sets of circumstances, his natural and social, in terms of how they could be investigated, in what we would nowadays see as akin to the inductive or deductive distinction. That it was his intention to draw a definite distinction on

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<sup>170</sup> It is also worth observing that a clear distinction between inductive and deductive reasoning had not yet fully been established. This can be seen in the dictionaries of the time where deduction related to sequencing and induction to persuasion, although there was some coincidence of meaning:

To Deduce ... To draw in a regular connected series; to form a regular chain of consequential propositions; to lay down in regular order. (Walker, 1831, p.135)

To Induce ... To persuade, to influence to any thing; to produce by persuasion or influence; to offer by way of induction or consequential reasoning; to produce; to introduce, to bring into view. (ibid, p.274)

the method of their study can be seen in his subsequent summing up of this section when he commented that he had “pointed out two different modes of treating them” (Hodgskin, 1827a, p.38). Therefore we can conclude that he saw his *natural* circumstances being understood as aligned to a deductive method.

He also warned, in an example of one his most convoluted sentences, against analysis based within one particular concrete economic reality because of the non-economic disturbances that interfered or disturbed true understanding of the purely economical:

We ought always to remember, that all inquiries into the production and distribution of wealth, according to some present or pre-existing state of society; or as both may be limited and influenced by regulations emanating from governments, or constitutions of society, the offspring, perhaps, of some palpable violation of the natural laws of distribution, if not of production; though not wholly vain and unprofitable, must be shallow and imperfect. (ibid, p.35-6)

With such a caution in mind, one would have to shy away from the inductive and rely rather on deductive logic. That this is effectively what Hodgskin was attempting can be seen from various comments he made regarding the science following on from certain principles or axioms.<sup>171</sup>

With the character of social circumstances being variable with the caprice of government and social systems, general principles could not be used to characterise particular social circumstances. Thus Hodgskin concluded that political economy was a science that deduced from general natural laws;

Of the natural laws and circumstance which regulate the production and distribution of wealth – they being permanent and ascertainable as any other laws regulating the material world – there may be a science. (ibid)

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<sup>171</sup> For example:-

Having established the principle, that all wealth is created by labour, it follows that the whole difference between ... a nation rising into power and one stationary or sinking to decay, must be referred to the different modes in which labour is applied and its produce distributed. (Hodgskin, 1827a, p.23)

This is as certain as any axiom of mathematics; and the stimulus to labour involved in it, comprehending our existence, is as great as possible. (ibid, p.27)

## **A Hypothetical Science**

In his *System of Logic* (1843) J.S. Mill argued that there could be no truly deductive sciences as all such deductions stemmed from inductive processes:

From these considerations it would appear that Deductive or Demonstrative Sciences are all without exception, Inductive Sciences; that their evidence is that of experience; but that they are also, in virtue of the peculiar character of one indispensable portion of the general formulae according to which their inductions are made, Hypothetical Sciences. Their conclusions are only true on certain suppositions, which are, or ought to be, approximations to the truth, but are seldom, if ever, exactly true; and to this hypothetical character is to be ascribed the peculiar certainty, which is supposed to be inherent in demonstration. (Mill, VII, p.253)

Hence from this perspective it might be more accurate to depict Hodgskin's natural circumstances as a hypothetical exposition of an abstract formation of an economy not only exclusive of governmental activity but excluding all but purely economical factors. Thus we should recognise the situation that Hodgskin was describing in *Popular Political Economy* as a hypothetical situation that he believed could have a useful application in enabling the identification of the affects of non-economic factors on society as a whole.

Thus the object of political economy is to discover all the natural laws and circumstances, which influence and regulate the production of wealth. ... Having discovered them, it examines by them the consequences of social regulations as far as they influence wealth; (Hodgskin, 1827a, p.42)

Hence the natural laws and circumstances were endogenous to his hypothetical economy whereas what he called social circumstances were exogenous to this imagined state he constructed.

## **Imaginary Constructions**

The use of such an imaginary construction can be seen to be akin to more modern economic methods. In a brief overview of this method we will touch, by way of example, on one particular exposition of this method as expressed in

Mises' *Human Action* (1949), which appears to align quite closely with Hodgskin's method:<sup>172</sup>

An imaginary construction is a conceptual image of a sequence of events logically evolved from the elements of action employed in its formation. It is a product of deduction, ultimately derived from the fundamental category of action, the act of preferring and setting aside. (Mises, 1949. p.237)

Although Hodgskin believed his economics would eventually have useable consequences, as we have already seen in a previous chapter, he did not envisage his science as directly impacting on production, but rather colouring our understanding. As such his abstractions were distant from reality.

In designing such an imaginary construction the economist is not concerned with the question of whether or not it depicts the conditions of reality which he wants to analyze. Nor does he bother about the question of whether or not such a system as his imaginary construction posits could be conceived as really existent and in operation. Even imaginary constructions which are inconceivable, self-contradictory, or unrealizable can render useful, even indispensable services in the comprehension of reality, provided the economist knows how to use them properly. (ibid)

Thus as Mises pointed out, the worth of such abstractions lay in their consistency with the objectives to which they were aimed;

Their function is to serve man in a scrutiny which cannot rely upon his senses. In confronting the imaginary constructions with reality we cannot raise the question of whether they correspond to experience and depict adequately the empirical data. We must ask whether the assumptions of our construction are identical with the conditions of those actions which we want to conceive. (ibid, p.238)

The coincidence of the method of Mises and Hodgskin can then be seen in their recognition that their imaginary constructions could be used to identify the consequences of situations that could not otherwise exist in isolation;

The main formula for designing of imaginary constructions is to abstract from the operation of some conditions present in actual action. Then we are in a position to grasp the hypothetical

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<sup>172</sup> The validity of the use of Mises here will be shown to be in both the coincidence of his method with Hodgskin's and also the conclusions that Mises drew as to the Classical economists' use of the term natural.

consequences of the absence of these conditions and to conceive the effects of their existence. (ibid)

Mises then proceeded to explain that for an economist the initial imaginary construction created would be what he called a Pure Market Economy, which is effectively what Hodgskin was describing.

### **The Pure Market Economy**

Thus Mises gave his explanation of what an imagined state would be;

The imaginary construction of a pure or unhampered market economy assumes that there is division of labor and private ownership (control) of the means of production and that consequently there is market exchange of goods and services. It assumes that the operation of the market is not obstructed by institutional factors. (ibid)

Thereby such an economy presented a free market for consideration before the complications of governmental factors are brought to bear:

The market is free; there is no interference of factors, foreign to the market, with prices, wage rates, and interest rates. Starting from these assumptions economics tries to elucidate the operation of a pure market economy. Only at a later stage, having exhausted everything which can be learned from the study of this imaginary construction, does it turn to the study of the various problems raised by interference with the market on the part of governments and other agencies employing coercion and compulsion. (Mises, 1949, p.239)

This coincided with what Hodgskin claimed to do. Indeed Mises seems to have believed that this is what economists of the Classical period had tended to do. Further he saw their use of the term natural as being directly pertinent to the imaginary construction of such a pure market economy.

It is also true that the classical economists and their epigones used to call the system of the unhampered market economy "natural" and government meddling with market phenomena "artificial" and "disturbing." But this terminology also was the product of their careful scrutiny of the problems of interventionism. They were in conformity with the semantic practice of their age in calling an undesirable state of social affairs "contrary to nature." (ibid, p.239-240)<sup>173</sup>

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<sup>173</sup> It is also interesting to note that J.B. Clark also associated the Classical economists' use of the term natural with a hypothetical constructed state:

Thereby from such a perspective, we can see that the term natural was used by Hodgskin to relate to endogenous factors within his abstracted construction of a pure market economy. Following on from this would be the recognition of the artificial in this sense as the exogenous.

Hence the next chapter of this thesis will look at Hodgskin's concentration on Labour as the subject matter of political economy. We will then move onto the issues of the produce of labour, value and prices. The concluding chapter will draw these various issues together to illustrate how, contrary to the majority of his contemporaries, Hodgskin held a distinctly endogenous theory of growth.

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The term *natural*, as used by classical economists in connection with standards of value, wages and interest, was unconsciously employed as an equivalent of the term *static*; (Clark, 1899, p.vi)

Although it must be recognised that Clark's static state was similar to a pure market economy it did not explicitly omit governmental action only changes in general which also excluded technological change. (ibid, p.29)

# Chapter 4

## Labour

### **Agenda**

The agenda for this chapter is initially to present an exposition of what Hodgskin meant by the term labour and then to place this within the context of the contemporary debates regarding labour and its role in political economy.

Our intention is to show that by labour Hodgskin meant any intentional purposive human action aimed at either the creation of wealth, or the more immediate needs of subsistence. By human action Hodgskin was referring to both physical and mental activities. Thus his comprehensive notion of labour included not only superintendence of production, but such endeavours as trade and banking that aided the societal production of wealth. Hodgskin also acknowledged that labour included activities remunerated by what might otherwise be seen as profit (as a proportionate share of turnover) rather than a just a simple wage or salary.

We will also endeavour to demonstrate how his contemporaries often had far more restrictive notions of labour. Some of their concepts limited labour to just physical rather than mental work, or confined labour to only those activities for which a wage was received. Thus we explore the general position of not only contemporaries such as J.B. Say, Malthus and J.R. McCulloch, but also two economists, William Thompson and Thomas Cooper, who responded directly to Hodgskin.

### **Introduction**

Within Hodgskin's humanistic political economy the most crucial element was labour – “the science of which I am to treat, is strictly and exclusively confined to labour and its products” (Hodgskin, 1827a, p.4). This led him to surmise that labour's productivity was the principle area of interest.

Now we want to know all the circumstances which influence the productive power of labour, the prosperity or decay of nations, and, in a general sense, the opulence and poverty of individuals;

and to ascertain all these circumstances is the great object of political economy. (Hodgskin, 1827a, p.15)

Despite these concerns, Hodgskin's most famous work *Labour Defended* had been primarily devoted to a consideration of capital, rather than labour. This work had been an attempt to counter the claims of what Hodgskin saw as the vested interests of capital to an exaggerated share of the output of labour's production. Thus, as its title suggested, it was a polemic against capital rather than a direct exposition on labour, "not so much to show what labour ought, as to what capital ought not to have" (Hodgskin, 1825, p.6). It was the subsequent *Popular Political Economy* (1827) that contained his most detailed exposition of his thinking on labour

### **Ambiguities over the Term *Labour***

With labour as his leading concern, it is imperative that we understand what Hodgskin (as well as his contemporaries) perceived by the term *labour*. However, this might not be as straightforward as one might think:-

It may appear unnecessary to define a term having a meaning so precise and so generally understood. Peculiar notions respecting the cause of value have, however, led some Economists to employ the term labour in senses so different from its common acceptation, that for some time to come it will be dangerous to use the word without explanation. (Senior, 1836, p.57)

Asking "what was meant by labour?" might initially seem an superfluous question, however for the purpose of this thesis, and to avoid the dangers referred to by Senior, it is one that needs to be understood, within the context of the time at which Hodgskin was writing, as one that was then still being posed, for example:

There is, perhaps, no definition of Labour by any British Economist. (Senior, 1826, p.233)<sup>174</sup>

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<sup>174</sup> *Ambiguous terms used in Political Economy* by Nassau Senior (1790-1864), originally published as an appendix to Richard Whately's *Elements of Logic* (1826). This text was reproduced by Senior in his *An Outline of the Science of Political Economy* (1836) as an appendix – *On certain terms which are peculiarly liable to be used ambiguously in Political Economy*.

Senior recognised the attempts by J.B. Say and Henri Storch to define labour, hence the qualification of "British Economists". Senior saw Whately (1787-1863) as the exception amongst his contemporary economists (in comparison to James Mill,

To many of our readers it may be [a] matter of surprise that we should deem it necessary to give a formal definition of a word so simple, and so generally understood, as the term labour. The fact is, that recent economical writers, of no inconsiderable eminence, have employed their terms in so many different senses, and extended their signification to so many dissimilar things, that the language of the science has been rendered loose and indeterminate; and that in using the most familiar words, it often becomes necessary, not only to explain what their meaning is, but to point out what it is not. (Torrens, 1834, p.2)<sup>175</sup>

A further difficulty highlighted by Senior, arose when defining words within political economy, because there were few discrete terms that did not impinge upon the use of other expressions within the science:

The reasonings in Political Economy are, however, so mutually dependent, that it is seldom possible to define one term without introducing into the definition others equally obscure. (Senior, 1827, p.37)

### **Aims**

This chapter, on *Labour*, aims to discuss the following questions;

- What did Hodgskin mean by labour, and what activities did he include as labour?
- What did Hodgskin exclude from the term labour?
- How was Hodgskin's determination of labour at variance with that of his contemporaries?
- How were these contemporaries' contrary views linked with their different concerns of their analysis?

One of the main principles upheld within this chapter is that an understanding of what Hodgskin encompassed by the term labour is crucial to comprehending his economic thought and reasoning. If we are to separate verbal from real substantial questions, a detailed exploration of the term labour (and its usage) within the writings of Hodgskin and his contemporaries will be justified.

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McCulloch, Torrens, Malthus and Ricardo) especially with regard to his views on value and wealth (Senior, 1836, p.22-25).

<sup>175</sup> It is obvious from Torrens' text that he was especially critical of McCulloch's application of the term labour to non-human agency.

By way of example, an appreciation of wages, as the reward for labour, would be flawed without an appropriate understanding of that labour. Any discussion of the distribution of wealth would likewise be devalued by flawed conjecturing on labour and wages, which in turn would compromise any perception of profits and their relationship to wages. Without a clear demarcation of what labour actually is, a “labour theory of value” becomes little more than a catch-phrase, and any meaningful discussion upon it loses credibility.

# Section one

## What was meant by Labour?

Words, it must be remembered, always stand for some facts, some ideas, or some emotions, and they are fully explained when we are fully aware of the facts they signify. (Hodgskin, 1827b, p.10)

### The Axiom of Labour

To understand Hodgskin on labour, and much else that followed in his economic theorising, we must accept that he started with what amounted to an axiom, as to the necessity of labouring, in the sweat of the brow.<sup>176</sup> That man can live only by his efforts and wits, was a concept we can see recurring throughout his writings.

Man is doomed to eat bread by the sweat of his brow; and naturally those who do not work can have nothing to eat. If we do not labour, we can have no food, and must inevitably perish. This is as certain as any axiom of mathematics; ... The necessity for man to labour ... is a law of the universe, like the principle of gravity. (Hodgskin, 1827a, p.27-8)

The first person who uttered the sentence, “By the sweat of the brow shall man eat bread,” only stated in a few plain and fitting words the law of all production. (Hodgskin, *BG.*, 13<sup>th</sup> Aug. 1862)

This idea was not unique to Hodgskin. And similar expressions of necessity can, for example, be found in the writings of James Mill and McCulloch:

Of the laws of nature, on which the condition of man depends, that which is attended with the greatest number of consequences, is the necessity of labour for obtaining the means of subsistence, as well as the means of the greatest part of our pleasures. (Mill, 1820, p.4)

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<sup>176</sup> This phrase has a biblical root – “In the sweat of thy face shalt thou eat bread, till thou return unto the ground.” (Genesis, 3,19). In *Labour Defended* Hodgskin also referred to “the admirable maxim that ‘he who sows shall reap’ ” (Hodgskin, 1825, p.32), which again had biblical origins – “whatsoever a man soweth, that shall he also reap” (Galatians, 6,7).

The consumption of wealth is indispensable to existence; but the eternal law of Providence has decreed, that wealth can only be procured by industry, – that man must earn his bread in the sweat of his brow. (McCulloch, 1825, p.12: & 1849, p.7)

A similar, but more secular, appreciation of the importance of labour was given in William Thompson's *An Inquiry into The Principles of The Distribution of Wealth Most Conducive to Human Happiness* (1824):

It is expressed in one striking sentence: "Labor is the sole parent of wealth" ([Thompson, 1824, p.]6). This statement occupies in Thompson's thought the position of an axiom. It need not be proved, for it is self-evident. Can it be seriously questioned? Certainly not. "Did there exist in nature any other means of producing or increasing wealth, but by the labor superadded to raw materials, or to the productive powers of nature?" ([ibid, p.]181). To pose this question is to answer in the negative. (Stark, 1943, p.105)<sup>177</sup>

### **Beneficial Labour**

George P. Scrope seems to have held a position somewhat akin to Hodgskin in terms of nature's benevolence.<sup>178</sup> Although he was less concerned with labour as the sole source of subsistence, more that it was morally beneficial when compared to idleness.

Nature has likewise beneficently provided, that if the greater portion of her sons must earn their bread by the sweat of their brow, that bread is far sweeter for the previous efforts, than if it fell spontaneously into the hand of listless indolence. (Scrope, 1833, p.47-8)

When compared to Scrope we can see that Hodgskin's approach was not simply an ethical one with regard to labour's reward or well-being. Hodgskin's

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<sup>177</sup> The expression "parent of wealth" was used by Hodgskin in *The Economist* (a review of George Cornwall Lewis' *Methods of Observation and Reasoning in Politics*), "At every period of the world labour has been the parent of wealth" (Hodgskin, 1852, p.1327). Even the anti-Hodgskin *Rights of Industry* had accepted that "labour is the parent of all wealth" (Knight, 1831, p.63).

<sup>178</sup> George Poulett Scrope (1797-1876), the brother of Charles Poulett Thompson (later Lord Sydenham), was a noted economist and geologist. He was MP for the Stroud seat vacated by David Ricardo's son, (also David Ricardo - who had resigned because of electoral malpractice). He was also a major contributor to the *Quarterly Review*.

Professor William Kern's paper in the *Journal of the History of Economic Thought* (Sept. 2003) - *McCulloch, Scrope and Hodgskin: Nineteenth-century versions of Julian Simon* argued that Scrope, like Hodgskin and McCulloch, was anti-Malthusian and that these three held similar views in terms of the benefits of population growth and technology driven long-run increasing returns to scale (Kern, 2003, p.289-301).

labour was an animalistic mechanism that met “the natural wants of animal existence” (Hodgskin, 1832, p.155); anyone who did not labour would starve, unless sustained by the labour of others.<sup>179</sup> It was not that labour should be performed as morally beneficial or uplifting, as in Scrope’s work. For Hodgskin there was no additional sweetness to be provided by labouring, it was just the exertion unavoidable to life and survival.<sup>180</sup>

Thus it was, for Hodgskin, a trans-historical fact or natural law that humans must work to feed themselves. It was an inescapable law of necessity that arose from their relationship with the physical world. Any actions that attempted to divert man away from this necessity would, in so doing, be conflicting with the laws of reality and hence tend towards failure.

The law of nature is, that industry shall be rewarded by wealth, and idleness be punished by destitution; the law of the land is to give wealth to idleness and fleece industry till it be destitute. (Hodgskin, 1832, p.154)

Not that this prospect deterred man from attempting to follow such an apparently ill-fated track. For Hodgskin, it was the attempted pursuit of the impossible, which was a major source of man’s misery and poverty. He felt it his duty to highlight the futility of such a negative pursuit, for it was only by an enlightened knowledge and application of the physical laws of the universe, that man could become disentangled from such misconceptions.

Admitting that men have, to a certain degree, the power of throwing the necessity to labour off their own shoulder; as they may alter the direction of the influence of gravity, in making a

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<sup>179</sup> In *Labour’s Wrongs and Labour’s Remedy* (1839) the Ricardian Socialist John F. Bray made the point that labour was actually a character of all animals in that they needed to labour to survive:

“Thou shalt labour” – rests alike on all created beings. To this great law, from the minutest animalcule in a drop of water, to the most stupendous whale which dives beneath the waves of the ocean, there are naturally, and there should be artificially no exceptions. (Bray, 1839, p.43)

Such a concept of labour would have been inconsistent with Hodgskin’s notion of labour as human exertion separate from the work of cattle and other animals.

<sup>180</sup> Indeed some anthropologists have noted that in “primitive societies” there was no word for work (as a human activity) or labour, and have concluded that:

amongst such subsistence groups work is so synonymous with living and breathing that no word is needed for it. On their economic level one does not distinguish between working and not working, but only between waking and sleeping, because to be awake means to be working. (Kranzberg & Gies, 1975, p.3-4)

fountain rise from the earth into the atmosphere; the question occurs, will throwing off this necessity, by the appropriation of other men's produce, not be followed by certain and inevitable consequences? (Hodgskin, 1827a, p.30)

This was asked as a rhetorical question given that Hodgskin saw it answered in the poverty and wretchedness of the labouring classes, for: –

every long-continued attempt in one class of men to escape from the necessity of labour imposed on our race, that every infringement of a man's right to use, consume, and enjoy his own produce, has ever been attended with disastrous consequences. (ibid)

Hodgskin's reference to the condition of working men as a class issue, not only raised alarm with the intelligentsia of the property owning classes, but found resonance in the burgeoning working class movement.

### **The Sufficiency of Labour**

Hodgskin went further than just considering labour as a necessary condition to man's existence. Given that man must work to provide for himself; if he did labour then he would be provided for. Labour was the necessary and sufficient condition for man's survival.

It is a law of our being, that we must eat bread by the sweat of our brow; but it is reciprocally a law of the external world, that it should give bread for labour, and give it only for labour. Thus, we see that the world, every part of which is regulated by unalterable laws, is adapted to man, and man to the world. (Hodgskin, 1827a, p.28)

This should be seen within the context of Hodgskin's faith in the benevolently progressive nature of the universe. To our modern understanding, it may seem naïve and presumptuous to assume that if the universe is left to its own devices all will go well, on the whole, for everybody. Hodgskin was undoubtedly making an assumption that could not be justified other than as an issue of faith in providential progress.<sup>181</sup>

The fundamental idea from which Thomas Hodgskin starts is essentially the same one from which François Quesnay and Adam

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<sup>181</sup> It appears that Hodgskin was aware that this was an assumption that might be open to rebuttal – “Whatever may be the operation and effects of natural laws and circumstances, which is what we are principally interested in knowing, whether beneficial or otherwise,” (Hodgskin, 1827a, p.37).

Smith had started: the conviction that there is a great and beneficent order of the universe which comprises the human and physical worlds alike. (Stark, 1943, p.52)

Hodgskin's economics were not dependent on a static beneficent providence, but on a concept of dynamic progress, which would not be progressive if it were not beneficial. Or to express it another way: nature was beneficial because it progressed rather than the beneficence ensuring progress .

### **A Problem Stated**

A problem, in terms of definition, was highlighted by Senior:

First with respect to the term Labour. That word, as well as its corresponding terms, Arbeit, travail, and lavoro, all signify, not a thing but an act. They are gerunds of the verbs to labour, arbeiten, travailler, and lavorare. But what we want to express, not the act performed by the labourer, but the instruments which he uses. These are his powers of body and mind; a class for which the more manageable German language offers the word Arbeitskraft, but for which in English, we cannot find a more concise expression. (Senior, 1848, p.306)

Thus Senior raised a question as to whether labour was an act or an instrument of production. Labourers received wages for their actions, not for themselves as instruments of production as characterised by their "powers of body and mind". If the instruments found no use or were not activated they would not receive any reward; workers were not paid for their abilities but for the use of their abilities. In the end this may be an unfruitful distinction, but we could extend the issue to the rewards of capitalists and landlords.

Do capitalists and landlords receive profits and rents because of their actions or as instruments?<sup>182</sup> Plainly that portion of rent received by landlords as differential rent (in the Ricardian sense) was not for any action on their part but for the instrument or resource in their possession. It seems that one consequence of Ricardian rent theory was to class the landlords as passive actors, which suited Hodgskin's purposes.

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<sup>182</sup> By landlords we mean the owners of non-produced resources as distinct from capitalists as the owners of produced resources. It might be argued that landlords receive rent because of the actions of labour and capital applied to their instrument. However, Hodgskin had gone further than this, and following John Locke, had dismissed land as an almost passive instrument in the production process.

Hodgskin fell back on Ricardo's theory of rent to dismiss the landlord as a passive agent in the production process (Blaug, 1958, p.143)

Nonetheless, the distinction was less obvious for labour and capital. The question was thus three-fold; firstly are rewards received because of actions or possessions? Secondly, was such a distinction of any significant concern? We might also ask whether there was an inconsistency of analysis in which some factors of production were the actions whereas others simply instruments?

If labour is a form of human action it would seem necessary for it to result in some form of consistent consequence or reaction. There would thereby be a relationship between that action and its consequence. We could go as far as ascribing the defining aspect of that action as the relationship between the actor and the external world about them. An action is the affect of an agent upon the environment and any definition that excludes this aspect would be incomplete.

### **Labour as Action**

In *Popular Political Economy*, when commenting upon fixed capital, Hodgskin made the following observation:

Machines, tools, and coals, undoubtedly facilitate labour; but we must labour to prepare or obtain them. That the labour employed in preparing them facilitates subsequent production, no man can deny; but when it is admitted that labour produces all things, even capital, it is nonsense to attribute productive power to the instruments labour makes and uses. All capital is made and used by man; and by leaving him out of view, and ascribing productive power to capital, we take as the active cause, which is only the creature of his ingenuity, and the passive servant of his will. (Hodgskin, 1827a, p.246-7)

Unlike Senior, Hodgskin was not interested in the instruments of production, but in the actions of the labourer, or mankind in general, as the active or efficient cause of production. Skill and knowledge were, like fixed capital, instruments used by labour - "knowledge and skill informing and directing labour" (Hodgskin, 1825, p.45). Hodgskin's argument was that it was not labour's faculties or instruments, but the action of the labourer that performed the work of production. This position was recognised by Werner Stark;

It is obvious and undeniable that all social wealth is the outcome of human exertion, but is human exertion alone sufficient to create

social wealth? Two things, Hodgskin seems to answer to this argument, must necessarily be kept apart: the technical, and the social, production of wealth. Technically speaking, the soil is, of course, a factor of production – but so are all the things which economists are wont to disregard because they are free: ... But from the social point of view, land is ... as little an element of costs as wind and light. ... What is true of the productive capacity of the soil, is true also of the productive capacities of capital. ... Yet though capital, as much as land, is certainly a technical, it is as little as land a social, factor of production. (Stark, 1943, p.54-55)

To what extent economics should encompass the technical is a methodological question which we will not cover here. What is important here is to understand that in connection with Hodgskin's position, is that in much of his work he was content to minimise the influence of the technical, as matters external to Political Economy. Hodgskin was trying to identify trans-historical truths and, as such, saw factors or instruments of (and influences on) production, such as governments, laws, regulations, social relations, and technologies, as historically placed in time and beyond the concern of his political economy, i.e. exogenous.

the consideration of it no more forms part of the science of political economy, than the consideration of ships or steam-engines; or any other instruments employed to facilitate the production and distribution of wealth. (Hodgskin, 1827a, p.178-9)

### **Labour or Work?**

In a letter to *The Trades Newspaper* (shortly after the publication of *Labour Defended*) Hodgskin expressed what he saw as a confusion of language that entertained the possibility that machines worked. He was probably also addressing the application of the term labour to cover both human agency and the productions of machinery, as found within the work of McCulloch.

There is a common mode of expression which seems to me to be productive of serious errors, and which I shall, therefore, endeavour to correct. It is usual to speak of a machine, a steam-engine for example, as doing a certain quantity of work. ... The fact is, that the engine is only an instrument of the engineer. It does no work; but a few engineers, and the persons who assist in making and working engines, are enabled, by their peculiar talents and skill, to do as much work as could formerly be done by several millions of people. The engineer does the work, not the engine; (Hodgskin, *TN*. 25<sup>th</sup> Sept. 1825)

Hodgskin in this way attacked the terminology that used the words “work” and “labour” for both machinery and labourers. This in itself may be seen as an issue of logomachy, and thus relatively unimportant. The situation might have been simplified if he himself had distinguished between the two words labour and work.<sup>183</sup> Torrens suggested a nomenclature that might have been useful in avoiding such confounding distinctions:

Instead of applying the same common term to the several agencies of men, of cattle, of machines, and of nature – we should say the labour of men, the work of cattle, the action of machines, and the operations of nature. (Torrens, 1834, p.3)<sup>184</sup>

Hodgskin dealt with labour as a distinctly human activity, and his concern, if we look beyond the logomachy, was not with the instrument but with the action. He was stressing that instruments of themselves can perform no task unless guided by human agency.

### **Two Species of Labour**

Hodgskin had laid out what he considered incorporated within the term “labour” in *Labour Defended*, and knew that he was at odds with views expressed in other economic works and opinion.

Unfortunately, also, there is, I think, in general, a disposition to restrict the term labour to the operation of the hands. But if it should be said that the skill of the practised labourer is a mere mechanical sort of thing, nobody will deny that the labour by which he acquired that skill was a mental exertion. The exercise of that skill also, as it seems to me, requiring the constant application of judgment, depends much more on a mental than on a bodily acquirement. Probably the mere capacity of muscular exertion is as great, or greater, among the most productive tribes of Indians

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<sup>183</sup> Perhaps Hodgskin should have taken more heed of his own earlier comments on language –

use is said to be the tyrant of language. Though it decides whether we shall adopt or reject certain phrases, it can of itself never be of sufficient authority either to justify or condemn them. If usage were to be the only authority for speech, there would probably be no error of language which might not be justified. (Hodgskin, 1820ii, p.326)

<sup>184</sup> Torrens also provided a definition of labour that was concerned with human action, but which separated the mental and physical –

The term labour, then, when its meaning is unqualified by the epithet “mental,” or “intellectual,” signifies the action of the human muscles, directed to obtain the objects of desire; and it signifies nothing more. (Torrens, 1834, p.4)

as among the most productive Europeans; ... But I have shown that the greater efficacy of fixed capital depends on the skill of the labourer; so that we come to the conclusion that not mere labour, but mental skill, or the mode in which labour is directed, determined its productive powers. I therefore would caution my fellow-labourers not to limit the term labour to the operations of the hands. (Hodgskin, 1825, p.25-6)

This passage is worthy of note in terms of its application to three different issues. Firstly, the improved productiveness of workers was portrayed as inseparable from their knowledge encapsulated in the technology used. Mental exertions were necessary for both the creation and the use of new techniques. He here broached the relationship between labourers' skills and the quality of capital.<sup>185</sup>

Secondly, there was the appeal to labourers themselves not to dismiss mental labour as less worthy than, or distinct from, physical labour. The fact that such a plea was necessary was reflected in William Thompson's criticism, in his *Labour Rewarded* (1827), on this characterisation of labour that included mental labour in Hodgskin's *Labour Defended*.

Thirdly, in his reference to "tribes of Indians" and "productive Europeans" Hodgskin introduced the concept that physical skills and labour actually

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<sup>185</sup> Although this thesis does not necessitate an extensive exposition of capital, as Hodgskin detailed in *Labour Defended*, it is, nevertheless, note-worthy that one of Hodgskin's crucial points in this pamphlet was that the quantity of capital was relatively unimportant when considered against its quality.

it is not, however, the *quantity* but the *quality* of the fixed capital on which the productive industry of a country depends. Instruments are productive, to use the improper language of the political economist, not in proportion as they [are] multiplied but as they are efficient. (Hodgskin, 1825, p.19)

Later in this paragraph Hodgskin stressed the connection between the quantity of what is produced to the quality of capital –

the *quantity* of commodities they produce will depend on the *efficiency* of their fixed capital. (ibid, p.20)

Unfortunately the 1922 re-typeset edition of *Labour Defended*, sometimes known as the "Cole edition" because of G.D.H. Cole's *Introduction*, reproduced this section with the word *quality* replacing the original *quantity*;-

the *quality* of commodities they produce will depend on the *efficiency* of their fixed capital. (Hodgskin, 1922, p.69)

This error is further exasperated by the fact that most of the later republished editions and internet versions of *Labour Defended* were reprints of this 1922 edition, which also contained a number of other typographic mistakes.

diminished with technical progress and became less important when compared to the mental skills acquired and mental labour practised by labourers.

In *Popular Political Economy* (1827), Hodgskin again emphasised the dual aspects of labour:

Thus we have at once two species of labour to which it behoves us to attend; viz. the labour of observing and ascertaining by what means the material world will give us most wealth, and the labour of carrying those means, when ascertained, into execution. For the sake of distinction, I shall call the former mental, the latter bodily or muscular labour. Unless we keep this distinction in view, and are at all times aware of the equal necessity for observing the laws of the material world, and for carrying observations into practice, we shall not comprehend the complicated phenomena of production. Those also who work chiefly with their hands, may be apt to over-estimate their share in producing wealth; and those whose business is chiefly to observe, may look down, as, in fact, they do now, with somewhat of disdain on those who execute what observation dictates. (Hodgskin, 1827a, p.45-6)

Hodgskin was not alone, at this time, in recognising mental and manual labour.<sup>186</sup> McVickar had also made a similar distinction, although for him mental labour could only be involved with the creation of immaterial items.<sup>187</sup>

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<sup>186</sup> Although for Hodgskin most economists paid insufficient attention to the issue of mental labour:

the vast effects of mental labour [have] been in general either overlooked in works treating political economy, or ascribed to some other causes. Its influence, in fact, is so obvious and familiar, that it seems on this account to have been thought not worthy of philosophic investigation. Numberless observations are scattered through the pages of the economists on the subject; but by no one of them has it been treated of with a view to explain or discover the general laws which influence, regulate, and limit the progress of knowledge. (Hodgskin, 1827a, p.76)

<sup>187</sup> John McVickar (1787-1868) visited London and lectured there during the late 1820.s and early 1830.s and had *his Introductory Lecture to a course of Political Economy* republished in London:–

The original and most influential popularizers of Ricardo's views were, in the homeland, John Ramsey McCulloch, and in the United States, the Reverend John McVickar. The core of *The Outlines of Political Economy* [1825] ... is the most influential of McCulloch's expositions of the Ricardian system and McVickar's notes for what might be called the American edition of McCulloch's [1824] essay [*Political Economy* for the *Encyclopaedia Britannica*] (Dorfman, 1966, p.5).

Mr. M'Culloch's *Outlines of Political Economy*, first published in the supplement to the *Edinburgh Encyclopaedia* [sic], has lately been re-

This contrasts with Hodgskin's work where mental labour is necessarily the originator of both material and immaterial products.

Labour the original and primary agent of all Production. In nature,  
1. Manual, yielding material products, as grain, cloth, &c. 2.  
Mental, yielding immaterial products such as skill, science, &c.  
(McVickar, 1825, p.178)

Not only did Hodgskin identify what he called "two species of labour" – mental and muscular – but noted that neither could be performed without the other. Hence, "both mental and bodily labour are practised by almost every individual" (Hodgskin, 1827a, p.47), for even "The meanest labourer must use some mental exertion" (ibid, p.48).

### **Productive Labour**

For Hodgskin the branding of labour as productive or non-productive was a false distinction that helped capitalists to justify exaggerated profits. For Hodgskin all labour expended was characterized as productive if the labourer made a living as a result.

No industry is unproductive but that, the product of which no person will buy, and which does not contribute to the individual's subsistence or gratification. (Hodgskin, 1827a, p.50)<sup>188</sup>

Returning to his axiom that "we live by the sweat of our brow" the labour that enabled life to persist must be productive, if it were capable of supporting and re-producing that life.

It will be found of importance to establish the principle of all labour being productive, which enables the labourer to subsist. The object in labouring is to supply the individual's wants. Nature gave him his faculties and powers for this purpose; for this purpose only, and not for the purpose of supplying the wants of other men whom she equally endowed. If his labour, in addition to supplying his own wants, will supply the wants of other persons, will enable him to rear up a family, and pay taxes, rent, and profit, so much the better: the society may increase the faster; but if his labour is not so productive, if it only enable him to subsist,

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published ... with some very useful notes by the Rev. Mr. McVickar, and which I think the best text book at present I can recommend. (Cooper, 1826, p.14)

<sup>188</sup> By "industry" Hodgskin, as was quite common at this time, was referring to the efforts and exertions of labourer, rather than the more modern connotation of manufacturing.

replacing whatever tools, seed, corm &c., so that his condition is not gradually deteriorated, his labour is productive. (Hodgskin, 1827a, p.50-1)

Not only were Hodgskin's views on productive and unproductive labour contrary to much (but not all) that had been written on the subject, they were also an attack on the exploitative nature of capitalist society.

It is maintained, for example, that labour is not productive, and, in fact, the labourer is not allowed to work, unless, in addition to replacing whatever he uses or consumes, and comfortably subsisting himself, his labour also gives a profit to the capitalist on all the capital which he uses or consumes, while engaged in producing: or unless his labour produces a great deal more in the present state of society, than will suffice for his own comfortable subsistence. Capitalists becoming the proprietors of all the wealth of the society, as it is produced, act on this principle, and never – as the rule – will they suffer labourers to have the means of subsistence, unless they have a confident expectation that their labour will produce a profit over and above their own subsistence. This is so palpable a violation of the natural principle above stated, – it is so completely the principle of slavery, to starve the labourer, unless his labour will feed the master as well as himself, that we must not be surprised if we should find it one of the chief causes, wherever it exists, and it exists almost universally, of the poverty and wretchedness of the labouring classes. (ibid, p.51-2)

Hodgskin disagreed with the concept of productive and unproductive labour, which he saw linked to the issue of whether profits could be extracted from the labourers' efforts. This idea of productive and unproductive labour, as it was presented in Adam Smith's *Wealth of Nations*, was subject to censure by economists critical of Smith on labour. One such critic was Malthus.

### **Malthus' Earlier View on Labour**

In the 1820 edition of his *Principles of Political Economy* Malthus had adopted a position regarding labour that might initially appear akin to that of Hodgskin. Malthus was critical of Smith's distinction between productive and unproductive labour because of what he saw as various anomalies and inconsistencies. He sought to resolve these by resort to a question of degree rather than absolute opposites.<sup>189</sup>

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<sup>189</sup> As one of Hodgskin's critics noted that –

If we do not confine wealth to tangible and material objects, we might call all labour productive, but productive in different degrees; and the only change that would be required in Adam Smith's work, on account of this mode of considering the subject, would be, the substitution of the terms more productive and less productive, for those of productive and unproductive. (Malthus, 1820, p.38)

For Hodgskin there should be no downplaying of some labour as less productive than others:

It is impossible, therefore, to distinguish which of the various species of industry practised in a well-peopled country is most productive, or most useful. All of them seem equally necessary, and every species of labour, whether mental or bodily, must equally be called productive, if it procure a subsistence for him who practises it. (Hodgskin, 1827a, p.49-50)

Malthus' concept of degrees of productiveness did not endure in his writing and subsequently did not form part of his *Definitions in Political Economy* (1827); and had been withdrawn by the time of the 1836 edition of his *Principles*.<sup>190</sup>

In *Definitions in Political Economy* (1827) Malthus had provided his summary of the discipline's critical definitions concerning labour:

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Dr. Malthus would modify Adam's Smith's doctrine, by dividing labour into more or less productive. But I [do] not see the advantage to be gained. Suppose a man spends a dollar at a game of billiards; to him, that dollar is as much lost as if he had dropt in the ocean, or had never possesst it. There is no room for more or less in such a case it is gone; in toto as to the player. (Cooper, 1826, p.102)

Mark Blaug also remarked on this issue that -

Malthus imagined a scale of productive labor graded according to the size of the net physical product created by each type of labor. In this hierarchy agricultural labor was to rank first owing to "the natural pre-eminence of agriculture. (Blaug, 1958, p.95) citing (Malthus, 1820, p.30).

<sup>190</sup> "Ricardo objected to this scheme because it contradicted the concept of marginal rent and no more is heard of in the second edition of the *Principles* [of Malthus]" (Blaug, 1958, p.96).

A large part of Malthus' *Definitions* was an attack on McCulloch's notorious "extension of the term labour to all the operations of nature" (Malthus, 1827, p.99) in McCulloch's *Principles of Political Economy* (1825). It was probably McCulloch's extensive use of the word labour (as well as Ricardo's particular terminology) that sparked much of the discussion regarding definitions in general and upon the meaning of labour. We would not suggest that these discussions were necessarily the result of Hodgskin's work.

#### LABOUR

10. The exertion of human beings employed with a view to remuneration. If the term be applied to other exertions, they must be particularly specified.

#### PRODUCTIVE LABOUR

11. The labour which is so directly productive of wealth as to be capable of estimation in the quantity or value of the products obtained.

#### UNPRODUCTIVE LABOUR

12. All labour which is not directly productive of wealth. The terms productive and unproductive are always used by political economists in a restricted and technical sense exclusively applicable to the direct production or non-production of wealth.

#### INDUSTRY

13. The exertion of the human faculties and powers to accomplish some desirable end. No very marked line is drawn in common language, or by political economists between industry and labour; but the term industry generally implies more superintendance and less bodily exertion than labour. (Malthus, 1827, p.236-7)

These definitions are illustrative of Malthus's terms at the time of Hodgskin's works in the late 1820.s and may be seen as illustrative of the economic concerns of the period.

### **The Inclusion of Profits**

Although Hodgskin considered that wealth included the "intangible and immaterial objects", he might have been more sympathetic with Malthus's original (1820) terms than with his later definitions. However, Hodgskin's criticism was upon the capitalists' employment of only the most productive labour (over a certain threshold) rather than utilizing all productive labour. Where Malthus here differed from Hodgskin was with regard to the creation of profits as a necessary part of productive labour. For example, in the section where Malthus specifically dealt with the distinction between productive and unproductive labour;

All labour, for instance, might be stated to be productive of value to the amount of the value paid for it, and in proportion to the degree in which the produce of the different kinds of labour, when sold at the price of free competition, exceeds in value the price of labour employed upon them. ... The labour least productive of wealth would be that, the results of which were only equal in exchangeable value to the value paid for such labour (Malthus, 1820, p.38-9).

These remarks, when compared with those of Hodgskin's regarding productive labour highlight how far Hodgskin was from Malthus' position. Hodgskin's perspective aligned to the position and interests of the workers, whereas Malthus was considering the position from an economy where profits were necessary or production would not proceed.<sup>191</sup>

### **Hodgskin's Perspective**

For Hodgskin, it was counter-productive that the mere possession of property (as a means of production) granted anyone an entitlement to subsistence. The concern that without reward, those with possessions would not become involved in production was not Hodgskin's main interest, as their possession was particular to the specific (capitalist) and legal mode of production and thus distinct from the underlying laws of production.

Such possessions were effectively tools and were made to be used by labour. Reviving the Robinson Crusoe analogy, a tool is made to make labour easier, not because the tool has some worth independent of use and labour. Subsequent to the division of labour the mode of remuneration by which a tool-maker received a reward for their work was as an intermediary and could be a wage, salary or indeed a mark-up or commission, as Hodgskin had shown legitimate for dealers, traders and bankers (Hodgskin, 1827a, p.206).

The maker of tools received their reward for producing the tool, they did not become empowered to extract a continuing profit form from each and every continued use of the tool into an indefinite future, which they could entail to succeeding generations. It was this Hodgskin that was referring to with his road analogy in *Labour Defended*.

A road is made by a certain quantity of labour, and is then called fixed capital; the constant repairs it needs, however, are a continual making, and the expense incurred by them is called

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<sup>191</sup> Hodgskin was not alone in this as illustrated by Scrope's 1831 article, *The Political Economists*, in the *Quarterly Review*, that seemed to concur with Hodgskin that all labour was productive:—

We think there can be no difficulty in defining productive labour to be that of which the result is a *saleable* article: it will include that of professional persons, officers of government, authors, artists, merchants, tradesmen, labourers, &c. Unproductive occupations (for, correctly speaking, all *labour* is productive) are those which are productive only of gratification to the agent (Scrope, 1831, p.6).

circulating capital. But neither the circulating nor the fixed capital return any profit to the road-makers, unless there are persons to travel over the road, or make a further use of their labour. The road facilitates the progress of the traveller, and just in proportion as people do travel over it, so does the labour which has been employed on the road become productive and useful. One easily comprehends why both these species of labour should be paid, - why the road maker should receive some of the benefits, accruing only to the road user; but I do not comprehend why all these benefits should go to the road itself and be appropriated by a set of persons who neither make nor use it, under the name of profit for their capital. (Hodgskin, 1825, p.16)<sup>192</sup>

Hodgskin stressed that those who held property should still labour to procure subsistence. The ownership of possessions should not, of itself, guarantee the further appropriation of the means to life. The fact that those who owned property were able to gain an income from that ownership was the result (for Hodgskin) of legal enactments and government actions, rather than purely economical reasons, which amounted to a perversion of the natural necessities of man, and thereby exogenous to the hypothetical pure market economy. If property ownership did enslave labourers, this was only possible because of the legalised, fraudulent or violent appropriation from those otherwise entitled, by their labour, to appropriate the full results of their own productive labour.

### **Extensive Labour**<sup>193</sup>

If we are to class Hodgskin's *Labour* as substantially distinct when compared to that prevalent among his contemporaries, we might ask if it would be better to use a different term for Hodgskin's extensive but exclusively human labour? Labour that is only productive in so far as it adds to wealth, profit or capital

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<sup>192</sup> Karl Marx specifically commented on this section in his *Grundrisse*:-

From a viewpoint such as Lauderdale's etc., who would like to have capital as such, separately from labour, create *value* and hence also *surplus value* (or profit), fixed capital - namely that whose physical presence or use value is machinery - is the form which gives their superficial fallacies still the greatest semblance of validity. The answer to them, e.g. in *Labour Defended*, [is] that the road-builder may share [profits] with the road-user, but the "road" itself cannot do so. (Marx, 1993, p.703)

<sup>193</sup> We will adhere to the term extensive labour when referring to the notion of labour as human action in the comprehensive sense that incorporates both mental and physical labour, as well as what some considered productive and unproductive labour. When referring to the notion of labour that included non-human agency we will use the term expansive labour.

(whether material or immaterial) is a more restrictive entity than that encompassed within Hodgskin's labour that was extended to enabled the labourer to construct, at the very least, their survival. Perhaps adopting the term "industry", for one or the other, might have resolved the issue.<sup>194</sup>

That which was termed unproductive labour was generally still paid a wage. Wages were not limited to productive labour. All labourers in Hodgskin's extensive sense were capable of receiving wages.<sup>195</sup> In an example often given in the 18<sup>th</sup> and 19<sup>th</sup> centuries, servants were unproductive in that they did not provide their masters with profits; what they provided, were services. Even service providers can be split between those that do and those that do not provide profits to their employers. Nevertheless, the providers of both productive and unproductive services were still labourers.<sup>196</sup> It thus seems that Hodgskin's exclusion of profitability from labour was not a substantive differentiation.

The distinction between productive and unproductive labour has been burdened by the negative connotations associated with the term "unproductive" labour. It was perhaps to avoid such implications that William Paley had used the terms productive and instrumental labour (Paley, 1786, p.448). Although such terms may have reduced the negative undertones of the distinction, it would not have altered the fact that there was considerable debate as to what should be included within each term. Ultimately, such wrangling amounted to logomachy and in this sense was of little import, especially if we conceive of all labour as being directly or indirectly instrumental to production.

The significance was with what the term labour incorporated. As we shall see in the section that follows this, McCulloch amongst others, extended the use of

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<sup>194</sup> William Thompson can be seen to have used the term "exertion" as well as labour and industry.

<sup>195</sup> We are assuming here, that the definition as labour as simply that which receives a wage is inadequate, as labour would then be an agency denoted by its remuneration rather than something definable in its own right. Just as it would be equally short-sighted to define capital simply as that for which profit is received.

<sup>196</sup> To adopt a representation where some services are provided by labour and others by differently termed human agency would be over-complicating matters; some wages would be paid for labour, some for another form of activity. As we shall discuss presently, the understanding of Senior was that labour was the provision of a service.

the term labour to non-human activities. Once we appreciate the differences in terminology, the scale of the disagreements begins to fade.

When Hodgskin spoke of labour it was of a purposive human mental and physical activity, but this was not the case for all other economists. The fact that others used the term labour with different meanings, is important when we attempt to understand why Hodgskin so heavily emphasised the role of labour in production, particularly as he had done in his polemic arguments against capital in *Labour Defended*.

Hodgskin included self-employment, management, superintendence and entrepreneurial activity all as forms of labour. In fact any human activity that aided or facilitated production amounted to labour.

## Section two

# Contemporary Deliberations

### J.R. McCulloch<sup>197</sup>

After Ricardo's death, McCulloch came to be regarded as the main representative of the Ricardian tradition. (Sraffa, 1952, in Ricardo, VI, p.xxii)

McCulloch's position on labour was representative of the Ricardian tradition that Hodgskin is often aligned to. This tradition was characteristic of many economic works at the time Hodgskin published his three main books and hence puts those works in perspective, even when we disassociate Hodgskin from the Ricardian Socialist school. These aspects, plus the personal connection between the writers early in their careers, gives good reason for an exploration of McCulloch's writings.<sup>198</sup>

Hodgskin's review in *The Economist* (1851) of McCulloch's wage-fund theory is also worthy of consideration within the context of McCulloch's other observations on labour.

### The Edinburgh Connection

John Ramsey McCulloch (1789-1864) was very much a contemporary of Hodgskin. Not only were they known to each other, but during Hodgskin's second stay in Edinburgh (1818-1822) McCulloch was "Hodgskin's principal contact in Scotland" (Stack, 1998, p.75) and reportedly they often dined together (Blaug, 1958, p.147). Hodgskin apparently courted McCulloch as a

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<sup>197</sup> McCulloch seems to have suffered from a variety of spellings of his name (even on the title pages of his own works) – i.e. McCulloch, M<sup>c</sup>Culloch, M'Culloch, MacCulloch, Macculloch, Maculloch and MCulloch. We shall attempt to be consistent and use McCulloch, other than in quotations from other writers.

<sup>198</sup> Although Francis Place was Hodgskin's closest contact and confidant during the initial part of this period, his only published works were a defence of Malthus against Godwin – *Illustrations and Proofs of the Principle of Population* (1822), and *An Essay on the State of the Country* (1831). Neither of these provided an adequate economic point of reference for comparison.

source of journalistic commissions; in exchange McCulloch used Hodgskin as a link to Francis Place and other London radicals.<sup>199</sup>

McCulloch was the editor of *The Scotsman* and, according to Stack “the author of all the economics articles in *The Edinburgh Review*” (Stack, 1998, p.75). O’Brien noted that between June 1818 and July 1837 McCulloch had 78 articles published in *The Edinburgh Review*; “Although he had no monopoly of economic articles, he was certainly a predominant contributor for about two decades” (O’Brien, 1995, VIII, p.lxx).<sup>200</sup>

The publications that McCulloch was involved with were not insignificant – “*The Edinburgh Review* and McCulloch’s *Scotsman* were arguably the apex of libertarian journalism” (Reisman, 1996, p.xlv). *The Edinburgh Review* was, when compared to other journals of its time such as the *Quarterly Review*, and the *Westminster Review* held in high esteem:

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<sup>199</sup> We know that McCulloch and Ricardo were corresponding from June 1816 (Ricardo, VII, p.37), but they did not actually meet until May 1823 (Ricardo, VI, p.xxii). It was through Hodgskin, during his first period in Edinburgh (1813-1815), that McCulloch was introduced to Place, in connection with Place’s main concern of the time - the repeal of the Combination Acts, and hence to David Ricardo.

Thus Place sent McCulloch material on the Combination Laws ... he [McCulloch] did in fact write articles in the paper on the Combination Laws, and Place’s verdict was that McCulloch had been extremely helpful through his writings in the *Scotsman*. (O’Brien, 1970, p.27)

<sup>200</sup> Although Stack cites D.P. O’Brien’s *McCulloch* (1970), O’Brien was quite certain that McCulloch “had no monopoly of economic articles” in the *Edinburgh Review*. In a footnote O’Brien acknowledged a 1953 article in the *Journal of Political Economy* (vol. 61, [June 1953,] p.232-259), by Frank Whitson Fetter, showing that only 78 of the 132 economic articles (1818-1837) could be attributed to McCulloch (O’Brien, 1970, p.34).

“The size of McCulloch’s output was no doubt due to his shortage of money” (O’Brien, 1970, p.35). The scale of McCulloch’s contribution to the *Edinburgh Review* can be seen compared to other major contributors:

Eight economic articles, all in the years 1802-1806, and six on other subjects, by [Francis] Horner; seventy-eight articles all bearing on economics, by McCulloch in 1818-1837; and eleven economic articles by [Nassau] Senior in 1841-1849. (Fetter, 1957, p.1)

The circulation figures for the *Edinburgh Review* were a “very respectable 14,000 at times” (O’Brien, 1995h, p.vii & p.lxx). For comparison the circulation figures for *The Economist* “in 1845 rose to 2,894” – “in 1847 circulation peaked at 4,483 and over the next few years settled at around 3,500”.

1843 – *Economist* 1,969, *Punch* 3,938, *Spectator* 3,557;

1848 – *Economist* 4,245, *Punch* 7,366, *Spectator* 3,283;

1853 – *Economist* 4,106, *Punch* 7,567, *Spectator* 2,817; (Edwards, 1993, p.35)

none of these journals equalled the *Edinburgh* either in contemporary economic influence or in significance in the history of economic thought (Fetter, 1957, p.1).

The political and economic affiliations of the *Edinburgh Review* did not go unnoticed by William Thompson, whose criticisms were directed against McCulloch.<sup>201</sup>

It is difficult to conceive how such men as the Edinburgh Reviewers, (partisans and apologists, though they are of the Whig branch of the oligarchy, who trade in the *words* of liberality and justice that may supplant their Tory competitors in the pleasures of ruling and the enjoyment or distribution of the public-plunder-prizes of competition) could deliberately misrepresent facts, (Thompson, 1827, p.96-97).

McCulloch had reviewed Hodgskin's *Travels in the North of Germany* (1820) quite favourably in the *Scotsman* (12<sup>th</sup> Feb. 1820).<sup>202</sup> He was also instrumental in getting two of Hodgskin's articles on Germany published in *The Scotsman*, but these were unpaid commissions. Although "Hodgskin always retained a grudging respect for McCulloch", he had felt that "McCulloch discouraged every project Hodgskin proposed" (Stack, 1998, p.76).<sup>203</sup>

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<sup>201</sup> As we shall discuss subsequently Hodgskin was to distance himself from the Whigs in his criticism of what he saw as the Whig publications, published under the auspices of the Society for the Diffusion of Useful Knowledge, for their attempts to "shield the minds and eyes of the people from contamination of radical doctrines" (Hodgskin, 1832, p.167.n).

Nevertheless by his aspirations to contribute to the *Edinburgh Review* in the 1820.s Hodgskin could also be associated with Thompson's criticisms.

<sup>202</sup> A lengthy but far less receptive review of *Travels in the North of Germany* had also appeared in *Blackwood's Edinburgh Magazine* at about the same time. This had referred to Hodgskin as "a radical traveller and a Cockney philosopher" (*BEM.*, Feb. 1820, p.537)

<sup>203</sup> During his second period in Edinburgh Hodgskin became increasingly discontented with his inability to secure a regular or sufficient income and the distance from his family in London.

McCulloch was also on the lookout for commissions and income at this time – The shortage of money which affected McCulloch during the years when he was living by the pen undoubtedly explains the readiness with which he contributed [to the *Edinburgh Review*] (O'Brien, 1995, VIII, p.vii).

McCulloch pleaded financial hardship even though he was the owner of Auchengool – a small freehold estate – "the little property belonging to me in the south of Scotland" (McCulloch, 23<sup>rd</sup> Dec. 1821, in Ricardo, IX, p.135).

Eventually towards the end of 1822, “In poverty, greatly disappointed” (Reisman, 1996, p.xlv) Hodgskin moved back to London, to the job secured for him by James Mill, as a parliamentary reporter on *The Morning Chronicle*.<sup>204</sup>

After his return to London, Hodgskin still had occasion to refer to *The Scotsman*, and when he wrote about “one of the most learned, and diligent of their opponents (a writer in the *Scotsman*)” (Hodgskin, *TN.*, 12<sup>th</sup> Feb. 1826), he was probably referring to McCulloch.

A further tie between Hodgskin and McCulloch was their interest in naval matters. “McCulloch loathed conscription and argued that it was better to pay to obtain sailors” (O’Brien, 1995, p.xlviii). This common interest accounts for McCulloch’s assistance in getting Hodgskin’s *Abolition of Impressment* printed in *The Edinburgh Review* (Oct. 1824), where Hodgskin argued for the abolition of impressment on economic (financial) grounds, as well as with the more ethical arguments he had used in *An Essay on Naval Discipline* (1813).<sup>205</sup>

In late 1851 Hodgskin reviewed the re-publication of McCulloch’s *Treatise on the Rate of Wages* (1851) for *The Economist*. Hodgskin concluded that the work was “not to be numbered amongst those of high philosophy”. Nevertheless, it was, “like all his productions... a carefully-written work, with many sound reflections and much varied research” (Hodgskin, *E.*, 27<sup>th</sup> Dec. 1851, p.1440-1). Hodgskin’s doubted its relevancy, it having been not much changed since the original of 1826. A revised second edition of the work was published shortly afterwards, in 1854, presumably attempting to make it more relevant.<sup>206</sup>

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<sup>204</sup> Along with the young John Stuart Mill, McCulloch was also writing for the *Morning Chronicle* around this time – for example it was McCulloch who wrote their *Obituary of Ricardo* (23<sup>rd</sup> Sept. 1823).

<sup>205</sup> Apart from this there are no further accounts of them having met again after Hodgskin finally left Edinburgh. Although Hodgskin may well have attended McCulloch’s memorial Ricardo lectures in London.

<sup>206</sup> Full title: *A Treatise on the Conditions which determine the Rate of Wages and the Condition of the Labouring Class*. There were, in McCulloch lifetime, three versions of this work (1826, 1851, & 1854). The 1851 version was “a rifacimento of a little work on the same subject published ... several years ago” (Hodgskin, *E.*, 27<sup>th</sup> Dec. 1851, p.1439). The 1826 edition was entitled *An Essay*; it became *A Treatise* for the 1851 version. The 1854 version was a revised second edition and is the rendering now generally available. The British Library has copies of the 1851 printing but apparently

## ***Introduction to A Treatise***

In the *Introduction* to his *Treatise* McCulloch admitted that “Taken in its widest sense, the term labourers is very comprehensive” (McCulloch, 1854, p.1). In this comprehensive sense, it would embrace all those that Hodgskin had classed as manual and mental labourers. Like Hodgskin’s conception, it would also have included all those workers, managers, supervisors and entrepreneurs that were involved in the production process.

Masters, it is evident, are *labourers* as well as their journeymen. In this character their interest is precisely the same as that of their men ... they may be called employers as well as labourers, (Hodgskin, 1825, p.27).

The term labour was extended, by McCulloch, to cover the activities performed by landlords and capitalists to ensure that their resources (natural and produced) maintained their serviceability, to which, presumably, Hodgskin would have not objected.

The judicious management of a large estate, or other property, requires much care and circumspection. Without this, it may probably be wasted or dissipated; and, at all events, it cannot be applied to its legitimate ends, of advancing the interests and the honour of its possessors, and the well-being of their tenants, dependants, and neighbours. (McCulloch, 1854, p.2)

McCulloch used a passage from William Paley (*Works*, v.28, 1819), which interestingly accepted the notion of non-physical labour, to justify this position;<sup>207</sup>

Every man has his work. The kind of work varies, and that is all the difference there is. A great deal of labour exists besides that of the hands; many species of industry beside bodily operation, requiring equal assiduity, more attention, more anxiety. It is not true, therefore, that men of elevated stations are exempted from work; it is only true that there is assigned to them work of a different kind; whether more easy or more pleasant may be

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none of the 1826 first edition. Our comments have been prepared with reference solely to the 1854 second edition, taken as his definitive version of this work.

<sup>207</sup> As Hodgskin’s biographer noted William Paley (1742-1805) was a significant influence at this time - “was universally read and known” (Halévy, 1928, p.193). A further exposition of the relationship of Hodgskin’s work to that of William Paley would be a useful exercise, especially with regard to Paley’s Chapter 11 – *Of Population and Provision* - in Book VI of his *The Principles of Moral and Political Philosophy*; however this would be beyond the scope thesis.

questioned; but certainly not less wanted, not less essential to the common good. (Paley, in McCulloch, 1854, p.2)

### **Limits to the term Labourers**

Having recognised that, in an extended sense, the majority of society actually laboured, McCulloch proceeded to put this fact aside, and confined his use of the term labourer solely to manual workers.

In the following treatise the term labourers is taken in its popular and more confined sense. Our investigations refer to the wages of those only who labour with the hand, as contradistinguished from those who labour with the head. (McCulloch, 1854, p.2)

Thus not only did McCulloch leave out those whose labour might be called mental, but also downplayed the possibility of mixed modes of labour. As highlighted by Hodgskin, it was impractical to separate the physical and mental aspects of labour; as no act of labour was possible without some form of mental process being combined with physical exertion.

McCulloch's claim that there was a wage-fund of circulating capital solely designated for the payment of wages of manual labour, could have been criticised on the grounds that it left unexplained the remuneration of mental labour.<sup>208</sup>

Hodgskin highlighted the passage where McCulloch confined his work to labour of the hands, but then, in a manner typical of his later writings, turned this into an issue of property.

It is confined, therefore, to certain classes of whom the peculiar characteristic is, that they possess little or no property, and are employed by those who possess property. (Hodgskin, *E.*, 27<sup>th</sup> Dec. 1851, p.1439)

Whether, as Hodgskin assumed in his review, the connection between manual labour and the lack of property, is theoretically justified, may be questionable.

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<sup>208</sup> If it was accepted that a complete separation of the two species of labour was impossible, then the implication would be that mental labour went unrewarded, or else there was a separate fund of circulating capital destined for mental labour. If the notion that there could be a separated fund of capital destined for use as the labourers' wages is seen as problematical (for example in Longe, 1866, p.37-43 and as later accepted by J.S. Mill in his *Fortnightly Review* articles of 1869) then the concept of two funds would also have been unreasonable.

Although in practical terms, in the mid 19<sup>th</sup> century, it might not have been too unreasonable.<sup>209</sup> Hodgskin then gave his summary of the wage-fund theory:

Accordingly, the extent to which they [labourers] are employed and the rate at which they are remunerated (wages), depend on the amount of the property (capital) possessed by those who employ them, and appropriated to that purpose, compared to the number of labourers seeking employment. (Hodgskin, *E.*, 27<sup>th</sup> Dec. 1851, p.1439)

Hodgskin downplayed the relevance of the wage-fund theory as little more than an outdated notion fixed in time, pertinent to a specific set of social relations, with significance only to concerns which society had by 1851 moved away from. In particular Hodgskin attacked the wage-fund theory's assumption of a rigid set of social relations in terms of the distribution of property. Hodgskin claimed that these social relations, as the major cause of "discontent", had been left unaddressed by McCulloch and the wage-fund theory in general.

Treating only of the relation betwixt one species of property and the demand for labour, it is obvious that, so far as the whole of society and social progress are concerned, the book has a limited scope; and though within this scope the subject is ably and carefully treated, it does not throw much light on many of the important problems which now vex society by demands for solution. ... Discontent, right or wrong grows from the existing facts that some men are possessed of property, who employ labourers and pay wages; and other men possessed of no property, are compelled to seek employment and ask for wages. These facts Mr. McCulloch assumes as the basis of his book; and necessarily, therefore, he gives no explanation of those facts, nor does he state anything to satisfy the Socialists and Communists that the condition of labourers dependant on wages is natural and inevitable. The complaints ... are directed against the distribution of property; and on the principle of that distribution a work which assumes its existence and merely points out some of its

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<sup>209</sup> McCulloch's wage-fund theory, which required that wages were determined by a fund of capital predestined to pay the manual labourers' wages, might also support Hodgskin's assertion regarding property. Wages were only to be sourced from capitalists' funds, as distinct from other funds that labourers may themselves have had access to. If the workers had such funds, the wage-fund theory would presume these funds outside of the reserve of capital destined for wages, on two grounds. Firstly, in terms of pre-destination, which was determined by the capitalists rather than by the labourers themselves. Secondly, funds held by labourers for their own remuneration would theoretically be seen as subsistence revenue and thus not capital. This argument formed a part of Longe's *Refutation of the Wage-Fund Theory* (1866).

consequences, throws no new light. (Hodgskin, *E.*, 27<sup>th</sup> Dec. 1851, p.1440)

This being said Hodgskin did perhaps miss an opportunity to highlight the issue of the inseparability of mental and physical labour. This may have been for stylistic or political reason, or simply that the issue, of distinguishing mental and physical labour, was deemed far less important by the 1850.s. In addition, it is evident that he felt it more prudent to tackle issues that were giving prominence to the burgeoning socialist and communist movements in the working class.

### **J.B. Say's Contribution**

J.B. Say's notion of labour in his *Treatise on Political Economy* is worth reviewing given its apparent influence, particularly on McCulloch.

By the term labour I shall designate that continuous action, exerted to perform any one of the operations of industry, or a part only of one of those operations. (Say, 1821, p.85)

This notion of labour was emphasised in Say's condemnation of Smith's claim that human labour was the source of all value.

To the labour of man alone he [Adam Smith] ascribes the power of producing values. This is an error. A more exact analysis demonstrates, ... that all values are derived from the operation of labour, or rather from the industry of man, combined with the operation of those agents which nature and capital furnish him (ibid, p.xl).

Thus for Say labour was not confined to human agency. Capital was just as capable of performing labour as man or natural resources.

There will, therefore, be no difficulty in comprehending the terms labour or productive service of nature, and labour or productive service of capital. ... The labour performed by natural agents, and that by pre-existent products, to which we have given the name of capital, are closely analogous, and are perpetually confounded one with the other: (ibid, p.86).

### **Non-Human Labour**

In contrast to Say's expansive use of the term labour, Malthus presented labour as intrinsically a human action, as the normal understanding:

Adam Smith, and all other writers, who have happened to fall in my way, have meant, by the term labour, when unaccompanied

by any specific adjunct, the exertions of human beings; (Malthus, 1827, p.99)<sup>210</sup>

These comments formed part of Malthus's criticism of McCulloch's expansive use of the term labour for non-human processes, which were highlighted in McCulloch's discussion of wine maturing in a cellar.

When he [McCulloch] uses the expression, "*additional labour actually laid out upon the wine*," who could possibly imagine that, instead of meaning human labour, he meant the processes carried on by nature in a cask of wine during the time that it is kept. This is at once giving an entirely new meaning to the term labour. (Malthus, 1827, p.104)<sup>211</sup>

However, we can see that this concept was not original to McCulloch, as it was predated by Say's work, from where it did not attract Malthus' attention.<sup>212</sup>

There can be little doubt that McCulloch was well aware of Say's work as he wrote a review of the 1821 translation of Say's *Treatise* for the *Scotsman* (21<sup>st</sup> April 1821); Say's works were apparently well read and had often been referred to in British circles prior to their translation into English.

Nonetheless, McCulloch's opinion of Say was not particularly favourable, as he noted in his *Catalogue of Books, the Property of a Political Economist* (1862), when commenting on the 1826 edition of Say's *Traité d'Economie Politique* in his collection:-

This is a sort of French Wealth of Nations. There is little of value in it that is not to be found in the English prototype; but being well arranged, having sundry new illustrations, and being concise and well written, it became popular ... But despite its merits, it was permitted by its author to become in many respects sadly

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<sup>210</sup> Despite this there were instances within political economy that to some extent confused human-labour and the use of the term labour to indicate non-human activity, or what we have called expansive notion of labour.

For example Charles Knight's response to Hodgskin, the *Rights of Industry*, noted that "The principal labourer in Egypt is the river Nile," (Knight, 1831, p.125; 1845, p.84; 1855, p.151).

Another example can be seen in William Ellis' reference to "horse-labour" (Ellis, 1826, p.60).

<sup>211</sup> The correspondence between Ricardo and McCulloch, culminated in Ricardo's recognition that "McCulloch uses the word labour in a sense somewhat different to Political Economists in general" (Ricardo, IX, p.377).

<sup>212</sup> Malthus' comments in his *Definitions in Political Economy* (1827) directed against Say were limited to his use of the term utility.

deficient. Say seems to have been weak enough to flatter himself with the idea that political economy had in his hands attained to its utmost degree of perfection! ... the first edition of his book, published in 1802, differs but little in detail, and nothing in principle, from the last, which was published in 1826. In consequence it has ceased to be of any use as a scientific treatise, though in other respects it continues to be of some importance. (McCulloch, 1862, p.290-1)

Despite Say's criticism of Smith, McCulloch, as others have done, viewed Say's *Traité d'Economie Politique* as an interpretation of the *Wealth of Nations*.

### The Direct Responses to Hodgskin

No member of the English socialist group seems to have been more widely read on both sides of the Atlantic, and the significance of his [Hodgskin's] position was instantly recognised. He was controverted, amongst others, by Samuel Read in 1829, Thomas Cooper in 1830, and Brougham in 1831. He is quoted by Marx in the first draft for his larger work, which he published in 1859; and Cooper speaks of his doctrines as having influenced the New York School of socialists and the *Free Inquirer*. (Foxwell, 1899, p. lvi-lvii)<sup>213</sup>

Thompson, Cooper and Read produced the immediate responses to Hodgskin. These reactions to Hodgskin may appear to be peripheral, but he, like his contemporaries the Ricardian Socialists (e.g. Gray, Bray, Hall, and Ravenstone) only engendered a limited response from the mainstream economists. As Mark Blaug commented:

Despite the attacks on Hodgskin by some writers, the sparseness of references to the views of the Ricardian socialists is striking. Both James Mill and McCulloch knew Hodgskin personally, yet never mentioned his books, nor gave any public hint of knowledge of the "labour theorists." (Blaug, 1958, p.147)

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<sup>213</sup> When Hodgskin had published *The Natural and Artificial Right of Property* in 1832 he had, like Foxwell, believed that the *Rights of Industry* (1831) had been written by Lord Brougham, whereas we are now aware that Charles Knight was its author. However, by the time Hodgskin reviewed Knight's *Knowledge is Power* (1854) in *The Economist* (Hodgskin, E. 30<sup>th</sup> Dec. 1854), Knight had acknowledged his authorship of the earlier work (Knight, 1954, p3).

Knight's *Rights of Industry* (1831) was an anti-Hodgskin defence of the legal right of capital to its reward and as such had little to contribute directly concerning labour. Attention will be drawn to those areas where it did refer to our present concern, by way of footnotes, when appropriate.

The Marx work referred to by Foxwell was presumably *A Contribution to the Critique of Political Economy* (1859).

In an article in the *Edinburgh Review* in 1845 he [J.S. Mill] referred to Knight's *Rights of Industry* which, as we know, quotes Hodgskin at length. But nowhere did Mill intimate that the writings of Thompson and Hodgskin had any bearing on the subject matter of political economy or on the question of socialism. (ibid, p.148)<sup>214</sup>

Blaug gave no reason to explain the sparseness of the response to Hodgskin and his socialist contemporaries but did note James Mill's letter to Lord Brougham (3<sup>rd</sup> Sept. 1832) which referred to Hodgskin's "mad nonsense" in promoting "the rights of the labourer to the whole produce of the country". In the same letter Mill, commenting on the meetings that promoted such a stance, suggested that – "The newspapers should suppress all knowledge of these rascally meetings, by abstaining from the mention of them" (Bain, 1882, p.364). The policy seems to have been to discourage extremist ideas by refraining from mentioning them.<sup>215</sup>

However sparse the written responses to Hodgskin are, they are more readily available than for most of his contemporary "labour theorists", and we shall take the opportunity of commentating upon Thompson's and Cooper's contributions here, as they relate to the debate on what the term labour should encompass.

### **Thompson's critique of Hodgskin's Labour**

One of the most immediate and direct responses to Hodgskin's work was William Thompson's *Labor Rewarded*. This begun with an extensive

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<sup>214</sup> However, in his *Autobiography* Mill favourably referred to William Thompson, despite his Owenite connections : –

the principle champion on their [Owenite] side was a very estimable man, with whom I was well acquainted, Mr. William Thompson, of Cork, author of a book on the Distribution of Wealth and of an "Appeal" in behalf of women (Mill, 1873, p.105).

<sup>215</sup> McCulloch's *Catalogue* noted that he possessed a copy of Hodgskin's *Travels in the North of Germany* (1820) but none of his other works (McCulloch, 1862, p.185). Hodgskin's works were also absent from McCulloch's *Literature of Political Economy* (1845). Neither was there any mention of works by the Ricardian Socialists within his library of over 8,000 books.

However McCulloch did mention Hodgskin in the 1830 edition of his *Principles*, but this reference was absent from all subsequent editions:

There are some striking and useful remarks on the influence of observation and knowledge on production, in Mr. Hodgskin's work entitled "Popular Political Economy." (McCulloch, 1830, p.122n).

commentary, initially appreciative, on Hodgskin's "late excellent pamphlet called 'Labour Defended'".<sup>216</sup>

What primarily concerns us here was Thompson's criticism of mental labour:

Though the author [Hodgskin] styles himself "a labourer," it appears that he is not a physical producer, he *thinks*, and *writes* usefully; ... He is a mental labourer ... Now on what principle is it that this mental laborer claims to himself any portion of that wealth which the operative classes produce? He produces no wealth: neither directly nor indirectly produces it. (Thompson, 1827, p.2)<sup>217</sup>

Thompson insisted that Hodgskin's scheme "would exclude all but the producers of physical wealth from any share of the national produce". However having referred to the "active contributors, whether by mind or muscle" (two paragraphs earlier) he seemed in one sense to have accepted mental labour as contributing to the production of physical wealth.

### **Mental Labour in Thompson's Work**

This apparent contradiction can be resolved by seeing that Thompson accepted that mental labour could contribute to "the common happiness" (or utility) but only physical labour could be productive of physical wealth. Thompson also used this as his justification for capital, along with mental labour, receiving a share of the labourers' produce. Although there was still some ambiguity as to the role of mental labour.

One branch, though a very important, perhaps the most important, branch of utility, is the production of physical wealth: but it is not the only branch. Wealth is only useful as it tends to happiness: there are other sources of happiness besides wealth. It is not therefore conclusive against the claims of capital to a share of the national produce, that it does not itself produce wealth. No more

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<sup>216</sup> Apart from the favourable commentary on *Labour Defended* that coincided with its first publication between August and October 1825 Thompson's *Labour Rewarded* may be seen as the first concerted reply (rather than review) to *Labour Defended*. *Labour Rewarded* was prefaced with an *Advertisement* dated March 1826, although not published until 1827:- "a reply to Thomas Hodgskin's *Labour Defended*, which was then exerting considerable influence among London workmen" (Pankhurst, 1954, p.74).

<sup>217</sup> Although by 1831 even the anti-Hodgskin *Rights of Industry* accepted the validity of mental labour: "The writer who applies his understanding to the discovery and dissemination of moral and political truth, is a profitable labourer." Also, "No one can say that the mental labourers are not workers" (Knight, 1831, p.150 & p.152).

does any species of mental labor or pleasure-producing accomplishment produce wealth (Thompson, 1827, p.3).<sup>218</sup>

It seems that Thompson's uncertainty might be resolved by viewing mental labour in three forms;

- That which was used in conjunction with physical labour to produce physical wealth. This covered the knowledge and contributions of the mind that were necessary to production of wealth.<sup>219</sup>
- That mental labour which resulted in utility (happiness) but not wealth.
- That mental labour which resulted in no utility (happiness) or wealth. This would be the isolated individual mental labour that did not contribute anything material or immaterial to the general happiness of society, and was of no real import to our considerations here.

The dispute between Hodgskin and Thompson on mental labour, therefore comes down to the latter's distinction between wealth and utility.

### **Thompson's Wealth and Utility**

Thompson did not deny the utility of what Malthus had referred to as immaterial wealth; he just did not include it within the term wealth.

Wealth is limited to the physical means or materials of enjoyment. Labor or muscular exertion can be occupied on physical things only: they only are capable of accumulation. There are numerous means of enjoyment besides those of a physical nature, besides those which are tangible, visible, or which tend, through any of the senses, to the production of happiness. All of these numerous means of enjoyment, though founded on and resolved into exterior and interior sensation or feeling, may clearly and usefully be considered apart: physical enjoyment, meaning those pleasures only which directly affect the senses. There are moral and intellectual, as well as physical, pleasures; and what the two

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<sup>218</sup> Thompson had, of course, commented on wealth in his earlier *Distribution of Wealth*:

The word, wealth, signifies "that portion of the physical materials or means of enjoyment which is afforded by the labor and knowledge of man turning to use the animate or inanimate materials or productions of nature." Perhaps it may be useful to bear in mind in more compendious, if not as accurate terms, that wealth is "any object of desire produced by labor." (Thompson, 1824, p.6)

<sup>219</sup> Accepting that applying the term physical is tautological in Thompson's sense, as wealth can only be physical.

former want in intensity is more than compensated by their facility of acquisition or cheapness, their permanence, and facility of reproduction. With these moral and intellectual sources of happiness we are not now concerned, as they are not directly comprehended in the meaning attached to the word, wealth.” (Thompson, 1824, p.8)

When Thompson assailed Hodgskin, he was assuming that Hodgskin’s mental labour was only productive of immaterial benefits. This was a miss-reading of *Labour Defended* as it was undoubtedly Hodgskin’s intention to envisage that mental labour created material and immaterial wealth. The passages from Thompson given previously show that he did not completely exclude the possibility of knowledge or the contribution of the mind, as sources of wealth.

Thus we are left with the anomaly of Thompson’s ordering of wealth and utility. It is plain from his *Distribution of Wealth* (1824) that human happiness was his overriding concern and that wealth was only a consideration as it contributed to that happiness.

Utility, calculating all effects, good and evil, immediate and remote, or the pursuit of the greatest possible sum of human happiness, is the leading principle constantly kept in view, and to which all others are but subsidiary, in this inquiry. (Thompson, 1824, p.1)

However, it is unfortunate that Thompson was imprecise with his terminology. When he wrote about distribution, it is sometimes as the distribution of wealth and at other places the distribution of happiness or utility. Perhaps he should have been more specific and ensured that no confusion between the two was possible, especially given his particular distinction between wealth and utility.

Nevertheless, he was consistent within his definition of wealth (as the utility that results from labour) and labour receiving the whole produce of its efforts. If wealth was defined as only that which labour produced then that which capital produced was not wealth but that other utility that resulted from such production, over and above his rather limited definition of wealth.

Thus Thompson was at odds with Hodgskin with regards to their claims that labour should receive the whole of its produce. Both argued that all wealth should go to reward the labourers, but they differed in what this wealth was. When Thompson accepted that Hodgskin had shown that capital was unentitled

to any wealth, this was only with regard to his own definition of wealth and not Hodgskin's use of the term wealth. In this there were quite different claims for labour. For Thompson labour had a claim to that part of what was socially produced that was wealth (in his terms), but Hodgskin's was a far wider claim: that labour should be rewarded with all that it socially produced.

Malthus had defined *Produce* as the "wealth created by production" (Malthus, 1827, p.235); for Thompson wealth was only a portion of that produce.

### **Thomas Cooper**

After William Thompson observations upon Hodgskin's work, were also made by the American Rev. Thomas Cooper (1759 -1839).<sup>220</sup>

Some members of Robert Owen's co-operatives had no doubt read his *Labour Defended* in America, and in 1830 Thomas Cooper, the American economist, in the second edition of his *Lessons [sic] in Political Economy*, took this book as a text in his refutation of the new tendencies of what he called the "mechanical Political Economists". (Halévy, 1956, p.128-9)<sup>221</sup>

We are fortunate that these *Lectures on the Elements of Political Economy* are available in two editions. The 1826 first edition made no reference to Thomas Hodgskin's work or ideas, whilst the 1830 second edition contained numerous references and an additional final chapter – *Distribution of Wealth* – which directly addressed many issues raised in *Labour Defended* and *Popular Political Economy*. We can thereby see how Cooper's views developed between these two editions. Many of the modifications between the editions may be attributable to Hodgskin's influence, as well as being illustrative of the progress in political economy around this time.<sup>222</sup>

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<sup>220</sup> Not to be confused with the English Rev. Thomas Cooper (1805-1892) – a Chartist activist. The Thomas Cooper we refer to herein was a lecturer in Chemistry and Political Economy at the South Carolina College.

<sup>221</sup> The original French version of Halévy's work refers to Cooper's "Leçons d'Economie politique" which when retranslated back to English in 1956 became "Lessons" rather than the original Lectures. Halévy's footnote referred to the original title as "Lectures" (Halévy, 1903, p.141)

<sup>222</sup> Although he was based in America we know that Cooper was well versed in conditions in Britain (he was British born and left England in 1780). He noted that the second edition of James Mill's *Elements of Political Economy* (1824) was "a master piece of close and logical reasoning" but regretted that it had not been published in the United States (Cooper, 1826, p.14). So it seems that he had access to Mill's work even

Cooper's *Elements* conveniently began with a chapter on *Definitions & Elementary Truths* so we can see the differences between the two editions with regard to his definition of labour. This went from an initial curt and lowly ordered position to a more extensive and immediate arrangement.<sup>223</sup>

Labour. Human exertion employed to produce or confer value or utility on any raw material. (Cooper, 1826, p.30)

Labour. Human exertion employed to produce or confer some desirable quality or property (that is, exchangeable value,) on some raw material. Hence, labour is the main or rather the only source of wealth. Labour is for the most part, hired and exerted for the sake of wages or remuneration paid by the employer. When we speak of labour, we usually refer to the mere bodily exertion of a day labourer, exclusive of acquired skill. (Cooper, 1830, p.37)

A statement analogous to those of Hodgskin then followed this definition, in the 1830 edition, which showed that Cooper's attention had become more focused on labour.

Political Economy itself may be considered as that science which determines the circumstances that influence the productive power of human labour, and the distribution of the proceeds. (ibid)

Thus there seems to have been a certain degree of conformity between Hodgskin and Cooper, which extended to their respect for Adam Smith and the advocacy of Free-trade.

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though it was not generally available in the USA, unlike Hodgskin's work. There were reports in the *Mechanics Magazine* of Cooper's Chemistry lectures at the London Mechanics' Institute during 1826 and 1827, so we know he was in London at about this time too.

Although in most matters Cooper can be appreciated as a Ricardian, he seems to have disagreed with Ricardo and James Mill on the issue of gluts, and followed Malthus' ideas as far as these were concerned: "Mr. Mill in his Political Economy, denies there can be a general glut, 3<sup>rd</sup> edit. p. 232. I do not agree to his reasoning" (Cooper, 1830, p.41).

Added significance was given to Cooper's work by its use as an authority in *The Rights of Industry* (1831), which was produced by The Society for the Diffusion of Useful Knowledge (Knight, 1831, p.204-8) as a direct rebuttal of Hodgskin's *Labour Defended* and *Popular Political Economy*. Hodgskin also cited Cooper's *Lectures* in his own *Natural and Artificial Right of Property Contrasted* (Hodgskin, 1832, p.170).

<sup>223</sup> In the first edition labour was the 17<sup>th</sup> term explained (on the fifth page of text): in the second it was elevated to the fourth term (on the third page).

The significant point of difference between them was in their perceptions of how capital should be accumulated. For although Cooper accepted that labour should receive all it produced, he saw capital as a form akin to labour and thus entitled to its produce and accused Hodgskin of not putting the capitalists' case forward:- "Mr. Hodgskin and the mechanics, do not state the argument on the other side" (Cooper, 1830, p.350).

For Cooper all capital was the result of previous labour, but solely the labour of the capitalist who possessed it, there was no question or possibility of unjust appropriation. Even the ownership of land could only be the result of the just efforts of the landlord.<sup>224</sup> Cooper thus viewed capital as saved labour.<sup>225</sup> As such the appropriation of land and capital was the necessary consequence of the status quo that Hodgskin could never allow.

A final point of interest we will deal with here, in regard to Thomas Cooper, is the relationships between labour, capital and skill.

### **Labour and Skill**

As we have seen above Thomas Cooper's definition of labour excluded "acquired skill". However there is a peculiarity that is worth highlighting as it can be related to an important feature of Hodgskin's interest in labour – knowledge. Within Cooper's definitions there were three components to value – labour, capital and skill:

Value. Utility, real or fancied, conferred by skill, labour, and capital. (Cooper, 1830, p.38)

By Wealth I mean a plentiful possession of those material objects on which exchangeable value has been conferred by human skill and labour (ibid, p.36)

Exchangeable Value. That property conferred on any raw material by means of human skill, labour and capital. (ibid, p.41)

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<sup>224</sup> Samuel Read had allowed that ownership of capital or land resulted from "their own or father's industry and parsimony, or good fortune" (Read, 1829, p.43). There was never a question of "good fortune" as far as Cooper was concerned; it could only be by previous labour.

<sup>225</sup> "Mr Ricardo admits labour and capital are the same, the latter being only labour in a particular form" (Hodgskin, *E.*, 28<sup>th</sup> Oct. 1848, p.1227). For example "less capital, which is the same thing as less labour" (Ricardo, I, p.82).

An inconsistency arises in that the natural price of commodities, for Cooper, consisted of the cost of the raw materials (rent), labour (wages) and capital (profit) but skill did not enter into the price. Cooper failed to sufficiently explain how skill was to be rewarded, as he explained that wages were that “given as a compensation to the labourer, for his labour” (ibid, p.37). However, this labour was “exclusive of acquired skill” (ibid)

Cooper held to the Ricardian notion of capital being resolvable into labour and extended this to skill – “Skill and capital ... by ultimate analysis, are resolvable into labour” (Cooper, 1830, p.27).

So there was the logical contradiction of labour excluding skill but that skill in effect being resolvable labour. This is representative of a certain confusion regarding labour.

## Chapter 5

# The Produce of Labour

### Agenda

Having shown that for Hodgskin political economy was the science of production by labour and clarified what he meant by labour, this chapter looks at what was actually produced. To this end we initially discuss notions of wealth, utility and commodities. We use Nassau Senior's work to illustrate that labour can be conceived as the service of providing or producing commodities. As such all labour, in Hodgskin's extensive sense, directed towards the production of commodities, can be conceived of as a service and there was no real distinction between labour seen as a service or labour as the direct creation of a commodity.

The second part of this chapter will unpack the infamous notion that labour should be rewarded with the whole product of labour. We will show that, given Hodgskin's extensive concept of labour, all those services provided by differing people, whether capitalist or labourers can be envisaged as constructive and thereby due a share in what is collectively produced.

Although it was not Hodgskin's assertion that the whole product of labour should be shared only amongst the lower classes, such a claim was naively seen as implicit in his work. We will show that Hodgskin's claim was that those who provided no constructive service towards production but simply appropriated the goods produced by others, had no justifiable claim on the product of others.

It was Hodgskin's contention that so insubstantial were these *idlers'* rights on the property created by labourers that legal instruments had to be enforced so that the whole product of labour was not distributed to the labourers.

# Section One

## Wealth, Utility and Commodities

### Introduction

Having already referred to labour as purposive human action, we shall in this section concentrate on the arguments of Senior to highlight the ends those actions are aimed at. Starting from a conception of production as the creation of wealth and utility via the manipulation of matter that we find for example with McCulloch, and taking into consideration the material or immaterial nature of wealth, we will proceed to Senior's exposition on the nature of services and commodities in his *Outline of The Science of Political Economy* (1836).

### McCulloch on Wealth and Utility

If we compare Thompson and McCulloch on their notions of wealth and utility we find that McCulloch articulated wealth as utility that was exchangeable. Whereas for Thompson wealth was only a portion of the utility available to humanity; wealth, by definition, was that utility created by labour. For some other writers wealth was defined by its possession of utility. The distinction may be subtle and in the end insubstantial, but it is one we need to fully understand if we are to fully comprehend the political economic ideas of the time.

McCulloch put wealth, and specifically the results of labour, on a footing that denied the possible production (as creation) of anything material:

By production, in the science [of Political Economy], we are not to understand the production of matter, for that is the exclusive attribute of Omnipotence, but the production of utility, (McCulloch, 1824, p.224: also, 1849, p.61; 1864, p.5;)

McCulloch's position was very similar to that of the Count Destutt de Tracy in the presentation of the ideas surrounding production.<sup>226</sup>

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<sup>226</sup> The work of the Comte, Antoine Louis Claude, Destutt de Tracy (1754-1836) was apparently well known and he is said to have coined the term "ideology" (as the science

All the operations of nature and art resolve into transmutations, into changes of form and of place. (Tracy, 1817, p.19)

This passage seems to resurface in McCulloch:

All the operations of nature and of art are reducible to, and really consist of transmutations, that is, of changes of form and of place (McCulloch, 1824, p.224; also 1849, p.61; 1864, p.5).<sup>227</sup>

The limits of what could be done by labour were further accentuated by Tracy:

What then do we do by our labour, by our action on all the bodies which surround us? Never any thing, but operate in these beings changes of form or of place, which render them proper to our use, which make them useful to the satisfaction of our wants. This is what we should understand by – to produce: It is to give things an utility which they had not. Whatever be our labour, if no utility results from it is unfruitful. If any results it is productive. (Tracy, 1817, p.20)

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of ideas) for his *Éléments d'idéologie* (1801-1815). His *A Commentary and Review of Montesquieu's Spirit of Laws* was published in 1811 and within the year translated into English by Thomas Jefferson and seems to have been influential on Jefferson, and on Hodgskin's earliest ideas about the need to minimise government and his understanding of law.

David Ricardo met him in 1822 and described him as “a very agreeable old gentleman, whose works I had read with pleasure. I do not entirely agree with him on Political Economy – he is one of Say's school – there are nevertheless some points of difference between them” (Ricardo, IX, p.248). Ricardo, in his *Principles*, had used Tracy to argue against Say; here he referred to him as “a very distinguished writer” (Ricardo, I, p. 284-5).

<sup>227</sup> In a footnote in his *Principles* McCulloch acknowledged Tracy and laid out Tracy's following paragraph (in the original French) to this one given to here. However, the closeness of Tracy's words as translated by Thomas Jefferson in 1817, to those that opened *Part II. Production of Wealth* of McCulloch's article *Political Economy* (1824) in the *Encyclopaedia Britannica* should have been acknowledged more directly and were still insufficiently credited in the fifth edition of McCulloch's *Principles of Political Economy* (1864, p.5). Tracy's *Treatise on Political Economy* had been published, as part 4 of his *Éléments d'idéologie*, in 1815 and was available in English. McCulloch's Catalogue notes he possessed two copies of Tracy's *Traité d'Economie Politique* (1815 and 1823 editions) and illustrates his admiration of the book, especially when compared to Say's work:

Having been published before the true doctrines in regard to rent and profits had been established, this book is, in some respects, defective; but it is, notwithstanding, highly deserving of the reader's attention, and is, probably, on the whole, preferable to any work on political economy that had been published in France, when it appeared. The nature of production has never been so well explained in the following paragraph “Totes les operations de la nature et de l'art se reduisent à des transmutations, à des changemens de formes et de lieux.” (McCulloch, 1862, p.293-4).

These limitations bore comparison with Say's exposition:

Objects, however, cannot be created by human means; ... All that man can do is, to re-produce existing materials under another form, which may give them a utility they did not before possess, or merely enlarge one they may have before presented. So that, in fact, there is a creation, not of matter, but of utility; and this I call production of wealth. ... Production is the creation, not of matter, but of utility. (Say, 1821, p.62)<sup>228</sup>

Torrens as early as *An Essay on the Production of Wealth* (1821) had explained the creation of wealth in a manner akin to Say and Tracy, however he still maintained that wealth consisted of the material only;

man, incapable of creating any thing, can do no more than appropriate, or in some way modify, the materials which nature has presented to his hand. Wealth is matter, under a particular form. The form we may give, but the creation of the matter is not only beyond our power, but above our comprehension; (Torrens, 1821, p.68).

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<sup>228</sup> Say's *Treatise on Political Economy* although written in 1803 was banned by Napoleon, and not re-published until 1814. It was translated into English in 1821. "M. Say has been translated over and over, into every language in Europe" (Senior, 1852, p.11). Napoleon's attitude towards Political Economy was noted by Senior – "He [Napoleon] had an utter horror of Political Economy; the principles of which, he said, if an empire was built of granite, would grind it to powder" (Senior, 1827, p.31). A negative attitude seems to have persisted even after Napoleon – "I am sorry the Government of France is prejudiced against Political Economy." (Ricardo, V111, p.228 [4<sup>th</sup> Sept. 1820])

It should be noted that Hodgskin tended to refer less to Say's *Treatise* but more to Say's *Notes* in his edition of Henri Storch's *Cours d'Economie Politique*. Hodgskin may have also been influenced by his attendance at Say's lectures in Paris in 1819.

Malthus was concerned that Say's interest in production as the creation only of utility and not matter, was an unnecessary complication:

The object of M. Say seems to have been to show, that production does not mean production of new matter in the universe, but I cannot believe that even the Economists had this idea; and it is quite certain that Adam Smith's definition completely excludes it. (Malthus, 1827, p.21)

Malthus was also critical of McCulloch's *Essay on Political Economy* in the *Supplement to the Encyclopædia Britannica* (1823), which he reviewed for *The Quarterly Review*:

This may be strictly true; but, as Adam Smith had before called those modifications of matter which adapt it to the tastes and wants of society, production, we see no advantage in a change of terms. On the contrary, it appears to us obviously calculated to mislead; (Malthus, *QR.*, Jan. 1824, p.304)

Also in 1821, James Mill had given a similar statement in his *Elements of Political Economy* where he confined the realization of human agency to the movement of raw material:

It is found that the agency of man can be traced to very simple elements. He can, in fact, do nothing more than produce motion. He can move things towards one another, he can separate them from one another: the properties of matter perform all the rest. ... In strictness of speech, it is matter itself which produces the effects. All that man can do is to place the objects in a certain position. (Mill, 1821, p.5-6)

### **Immaterial Wealth**

The point of interest in this perspective, of Tracy, Say, Mill, Torrens and McCulloch, is the recognition that production could not produce anything new in a physical sense. All that labour could produce was an effect upon pre-existent physical material. As subsequently recognised by Whately and Senior, one pertinent aspect of this argument, was that it could be used to undermine both the supremacy of physical labour as the productive “parent of wealth”, and the definition of wealth as only material items.<sup>229</sup> Thereby wealth becomes the accumulation of the utility created by labour. Nevertheless that labour must include the physical and mental as it was hard to deny that mental labour contributed to material wealth or to the utility that was embodied in material or immaterial wealth.<sup>230</sup>

There arose from this consideration of wealth and utility, a question as to whether the immaterial could be considered as wealth:

For instance, when the copy-right of a book is sold to a bookseller, the article transferred is not the mere paper covered with writing,

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<sup>229</sup> As the *Quarterly Review* noted:-

Mr McCulloch, indeed, by the use of the words ‘articles or products’ would, at first sight, appear to contemplate only material substances; but in the subsequent parts of his work (the chapter on Consumption, for example) it is evident, that he designs his definition to embrace ‘all the purchaseable means of human enjoyment,’ including, together with material objects, the gratification afforded by the talents of players, authors, artists, the service of menials, the protection of governments, &c. (Scrope, *QR.*, 1831, p.3)

<sup>230</sup> Senior had recognised the role of mental labour in his *Three Lectures on the Rate of Wages* (which was a prelude to his 1836 *Outline of the Science of Political Economy*) – “Wages are the remuneration received by the labourer for having exerted his faculties of mind and body;” (Senior, 1831, p.1).

but the exclusive privilege of printing and publishing. It is plain however, on a moment's thought, that the transaction is as real an exchange, as that which takes place between the bookseller and his customers who buy copies of the work. The payment of rent for land is a transaction of a similar kind: for though the land itself is a material object, it is not this that is parted with to the tenant, but the right to till it. (Whately, 1832, p.10)<sup>231</sup>

Nassau Senior extended his definition of wealth so that it was not restricted to material products or to have been necessarily created by labour:

The definition of Wealth, as comprehending all those things, and those things only, which have Value, or, in other words, which may be purchased or hired, does not, we believe, precisely agree with that adopted by any Economist except Archbishop Whately.

The principal differences are these: some writers confine the term Wealth to what have been termed material products; some to those things which have been produced or acquired by human labour; and some object to the ideas of value or exchange being introduced into the definition of Wealth. (Senior, 1836, p.22)<sup>232</sup>

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<sup>231</sup> Whately (and most writers of his time) apparently saw copyrights as immaterial, as they could not be material in the sense of a physical entity. However, when we get to Alfred Marshall copyrights were considered as material wealth as they pertained to material matters, as opposed to personal qualities. Thus for Marshall the early 19<sup>th</sup> century debate on immaterial wealth would have been unimportant, as he classed most of what they viewed as immaterial as being material. The meaning of the term material seems to have changed significantly, and (for Marshall) encompassed all that was not personal.

Desirable things or goods are Material, or Personal and Immaterial. *Material goods* consist of useful material things, and of all rights to Hold, or use, or derive benefits from material things, or to receive them at a future time. Thus they include the physical gifts of nature, land and water, air and climate; the products of agriculture, mining, fishing, and manufacture; buildings, machinery, and implements; mortgages and other bonds; shares in public and private companies, all kinds of monopolies, patent-rights, and copyrights; also rights of way and other rights of usage. (Marshall, 1920. p.54 [bk.II, c.ii, s.1])

Marshall in this section also made the distinction that “internal Personal goods”, such as skill, “a person’s qualities and faculties for action” and presumably knowledge, were non-transferable, and although desirable are not wealth as “not all desirable things are reckoned as wealth” (ibid). Marshall went on to stress this further –

Thus it [wealth] excludes all his own personal qualities and faculties, even those which enable him to earn his living, because they are Internal. (ibid, p.57[s.2])

<sup>232</sup> These were propositions that Senior had held from early in his career:

That wealth consists of all those things and of those things only, which are transferable; which are limited in quantity; and which, directly or indirectly, produce pleasure or prevent pain: or to use an equivalent expression, which are susceptible of exchange: (including under

It is the consideration of wealth as inclusive of the immaterial that is of interest here. This possibility of immaterial wealth (noted in terms akin to Tracy's 1817 notion of production) did not appear in Senior until his *Outline of The Science of Political Economy*.

To produce, as far as Political Economy is concerned, is to occasion an alteration in the condition of the existing particles of matter, for the occasioning of which alteration, or for the things thence resulting, something may be obtained in exchange. This alteration is a product. It is scarcely necessary to remind our readers that matter is susceptible neither of increase nor diminution, and that all which man, or any other agent of which we have experience, can effect, is to alter the condition of its existing particles. (Senior, 1836, p.51)

### **Commodities and Services**

Thus Senior concluded that the difference between material and immaterial products was as insubstantial as that between commodities and services. He viewed such distinctions as artificial and dependent upon perceptions.

It appears to us, however, that the distinctions that have been attempted to be drawn between productive and unproductive labourers, or between the producers of material and immaterial products, or between commodities and services, rest on the difference existing not in the things themselves, which are the objects considered, but in the modes in which they attract our attention. (Senior, 1836, p.51)

Thus if our attention was upon the object resultant at the end of production, we would view the product as a material commodity. However, if we focus on the actual act of production rather than its result we would have seen a service. Senior used the example of cobblers;

A shoemaker alters leather, and thread, and wax, into a pair of shoes. A shoeblack alters a dirty pair of shoes into a clean pair. In the first case our attention is called principally to the things as altered. The shoemaker, therefore, is said to make or produce

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exchange, hire, as well as absolute purchase;) or, to use a third equivalent expression, which have value (Senior, 1827, p.35).

Senior repeated this definition in his *Outlines* (1836) but with an additional qualification after the word value:

a word which in a subsequent portion of this Treatise, we shall explain at some length, merely premising at present that we use it in its popular sense, as denoting the capacity of being given and received in exchange. (Senior, 1836, p.6)

shoes. In the case of the shoeblick, our attention is called principally to the act as performed. He is not said to make or produce the commodity, clean shoes, but to perform the service of cleaning them. In each case there is, of course, an act and a result; but in the one case our attention is called principally to the act, in the other to the result. (Senior, 1836, p.51-2).

Senior further highlighted that in many circumstances it was merely a matter of nomenclature whether the result of production was a commodity or a service. He showed this with the simple example of a cook who “is not said to make roast beef, but to dress it: but is said to make a pudding”. Thus if what resulted from labour happened to possess a new name it was considered “in our minds, a new thing” and consequently became a commodity and the labour that created it productive (Senior, 1836, p.52). An additional distinction resulted from the perceptions involved in payment.

The principle circumstance, however, is the mode in which the payment is made. In some cases the producer is accustomed to sell, and we are accustomed to purchase, not his labour, but the subject on which that labour has been employed; as when we purchase a wig or a chest of medicine. In other cases, what we buy is not the thing altered, but the labour of altering it, as when we employ a haircutter or a physician. Our attention in all these cases naturally fixes itself on the thing we are accustomed to purchase; and accordingly as we are accustomed to buy the labour, or the thing on which that labour has been expended, – as we are, in fact, accustomed to purchase a commodity or a service, we consider a commodity or a service the thing produced. (Senior, 1836, p.52)

Although Senior saw the payment mode as the “principle circumstance” it may be argued that the way in which payments are made owes much to the linguistic accidents of nomenclature. For example nowadays we might “have a haircut” or “go for a haircut”. The former is a service, whereas the latter is seen as a commodity. Senior touched on how such changes of language were brought about when he noted that the division of labour was responsible for changing weaving from the domestic occupation of servants serving their masters, to a manufacturing industry;

the division of labour must be said to have turned spinners and weavers from unproductive into productive labourers; from producers of immaterial services into producers of material commodities (Senior, 1836, p.53).

Senior identified that such changes resulted from developments in the social structure of society and production whereby originally “almost all manufactures are domestic; the Queens and Princesses of heroic times were habitually employed in overlooking the labours of their maidens” (ibid). It was the freedom from feudal control that lead to changes in language and thereby coloured much of our present day perceptions of labour and capital. These were themes common in Hodgskin’s work, particularly *The Natural and Artificial Right of Property Contrasted* (1832).

Senior concluded that although the separation of productive and unproductive labour was due to the arbitrariness of language and social relations, the distinction between commodities and services could still be useful.

But, objecting as we do to the nomenclature which should consider producers as divided, by the nature of their products, into producers of services and producers of commodities, we are ready to admit of the convenience of the distinction between services and commodities themselves, and to apply the term service to the act of occasioning an alteration in the existing state of things, the term commodity to the thing as altered; the term product including both commodities and services. (Senior, 1836, p.53)

The commodity can only be produced as a result of “the thing” in question (the raw material) having been altered. If the spontaneous creation of a commodity is deemed impossible as matter can not be created, then all commodities are the result of labour providing services that ultimately result in those commodities, be they material, immaterial, or intermediate to some other commodity. All labour is thus the purposive service, or human activity that creates commodities.<sup>233</sup>

Looking back to Torrens’ classification of “the labour of men, the work of cattle, the action of machines, and the operations of nature” (Torrens, 1834, p.3), it is evident that only labour is purposive whilst the work, action and operations of cattle, machines and nature are reactions which serve a purpose, but are not

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<sup>233</sup> Therefore, labour (as human activity) could not be a commodity unless it was assumed that it was created for the purpose of production. Whilst the breeding of cattle might be for production, it might be hoped that humans do not breed for such purposes. Labour could only be considered a commodity when viewed as an instrument of production.

themselves the result of any decisive act independent of human activity. It is perhaps in this sense we can look at labour as the “parent of wealth”.

As far as the end of the purposive action known as labour is concerned, Senior showed, what Hodgskin only intimated, that it was the service of creating commodities. The form that those commodities took, whether material, immaterial, or intermediate was unimportant.

### **Hodgskin on Motion**

Hodgskin’s view on the issue of production as motion does not readily appear in his main works or even his *Economist* writings, perhaps because he did not deem it worth while stating the obvious. However, for whatever reason, he did return to the issue in his later years where he expressed his view in articles published in the *Brighton Guardian* in 1864:-

All action is motion; we perform only motion, and all the phenomena of the universe ... are manifested to us only as motion. ... The one term, motion, – motion imparted to all things, and all things existing *in* motion, – signifies all that man knows and all that man can ever learn. (Hodgskin, *BG.*, 6<sup>th</sup> July 1864)

Labour, therefore, and *nothing* but labour, is that peculiar part of motion – (Mr McCulloch calls it transmutation) – which is the sole object of that science erroneously called Political Economy. It is the science or methodised knowledge of labour, of what labour effects, and of all the natural laws which labour follows. (Hodgskin, *BG.*, 30<sup>th</sup> Nov. 1864)

These passages leave little doubt that Hodgskin not only saw labour as the “sole object” of political economy, but that labour equated to the movement or motion of objects by people. If production was the movement or rearrangement of objects, then labour was the only active agency could be responsible for the service of initiating that motion.

### **Market Economy Labour**

It is also evident that when Hodgskin wrote about labour it was about purposive action not only in a social setting but in a market situation, as that which was performed solely for the isolated self would generally fall outside political economy’s remit.

Of such labour intended for the labourer's own immediate gratification, which constitutes, in an advanced state of society a very small part of the whole, nothing can be said in a political-economical point of view. It may be wicked or it may be wise; it may be frivolous or it may be important; but it has its beginning and its termination with the individual; and though the moralist may think it worthy of remark, the economist rejects it from his science. (Hodgskin, 1827a, p.50)

Thus Hodgskin's political economy was concerned with labour as performed in the creation of commodities for sale or commercial purpose;

In general, however, labour is directed towards the production of some commodity for sale, (ibid).

Thus when Hodgskin was discussing production we should recognise that he was not concerned with individualist, isolated or primitive fabrications, but relatively sophisticated market economies where goods were created to be exchanged. Thus labour was, in the same sense that Senior had elucidated, the labourers' service that enabled goods to be created and brought to market.

# Section Two

## The Whole Product of Labour

### Introduction

It has been a question of much difficulty, to ascertain what portion of its product, labour ought to receive, and probably the question will never be settled with much precision and certainty. (Raymond, 1823, p.192)

The revolutionary fulcrum of Thomas Hodgskin's *Labour Defended* was his attempt to answer this question by considering the labourers' reward in relation to their productivity. His proposition was that workers' wages should be considered from a micro-economic perspective that related what the labourer, as a contributor to production, actually produced to the reward for that factor, i.e. their wages.

The prevailing viewpoint in political economy at that time had been a relatively macro-economic vision that looked at what society as a whole produced and how that was distributed to the various classes that made up that society. This was exemplified in the opening lines of the *Preface* of Ricardo's *Principles*.<sup>234</sup>

The produce of the earth – all that is derived from the surface by the united application of labour, machinery, and capital, is divided among the three classes of the community; namely the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated. (Ricardo, I, p.5)<sup>235</sup>

The micro-economic perspective in Ricardo's *Principles* was based on the apparent attitude that conceived labour as a commodity "like all other things

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<sup>234</sup> This opening paragraph of Ricardo's (2<sup>nd</sup> Edition, p.1) was quoted in full in Hodgskin's *Labour Defended* (Hodgskin, 1825, p.6)

<sup>235</sup> Ricardo's letter to Malthus (9<sup>th</sup> Oct. 1820) emphasised his concern with the proportionate shares that each class received:

Political Economy you think is an enquiry into the nature and causes of wealth – I think it should rather be called an enquiry into the laws which determine the division amongst the classes who concur in its formation. No law can be laid down respecting quantity, but a tolerably correct one can be laid down respecting proportions. (Ricardo, VIII, p.278)

which are produced and sold, and which may be increased or diminished in quantity” (ibid, p.93). Thus the cost of production of labour determined its price:

The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution. (ibid, p.93)

In this Ricardian scheme the reward to capital was not related to its cost of production but was simply the residue that remained after wages and rent had been deducted from the price attained for produced goods in the market:

The remaining quantity of the produce of the land, after the landlord and the labourer are paid, necessarily belongs to the farmer, and constitutes the profits of his stock. (ibid, p.112)<sup>236</sup>

This notion of profits as the remainder after the deductions of rent and wages thus highlighted the conflict of interests that was to trouble the minds of economists for much of the 19<sup>th</sup> century.<sup>237</sup>

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<sup>236</sup> Oswald St Clair summarised the proposition and some of its consequences in his *Key to Ricardo*:

Seeing that in this case wages and profits make up the whole amount of the product, it follows that the larger the proportion that goes to the one, the smaller must be the proportion remaining for the other. Although this appears to be a mere arithmetical truism, it forms one of Ricardo’s principal tenets; profits rise if wages fall, and fall if wages rise. (St. Clair, 1957, p.5)

Or by assuming production on land that did not give rise to (differential) rent – “Profits as a share of output are equal to the physical product at the margins of cultivation minus the subsistence wage fund” (Blaug, 1976, p.23).

<sup>237</sup> “Throughout this country at present there exists a serious contest between capital and labour” (Hodgskin, 1825, p.2). To be more precise, but less akin to the terminology of the time, the conflict was between the labourers and the owners (and interests) of capital.

An illustration of a negative prognosis upon this conflict was given by Richard T. Ely in his article *The past and Present of Political Economy* for *The Overland Monthly* (Vol. II No. 9, Sept. 1883).

And then the doctrine of identity of interest of laborer and labor-giver! If it only held in real life, the solution of the Social Problem would indeed be an easy task. Business men know, however, that the share of the produce of labor and capital received by labor diminishes by so much the profits of capital, and that the larger the proportion of profits received by capital, the smaller the proportion received by labor. That there is a harmony of interests between the different classes of society, "is at best a dream of human happiness as it presents itself to a millionaire." [Gustav Cohn, on *Political Economy in Germany*. *Fortnightly Review*, Sept. 1, 1873] (Ely, Sept. 1883, p.230)

Whilst Hodgskin was able to admit that the Ricardian proportional division between wages and profits occurred in the reality of current economic affairs, he did not accept that this was the inevitable result of inescapable economic laws that would have prevailed in his hypothetical pure market economy.

Wages vary inversely as profits; or wages rise when profits fall, and profits rise when wages fall; and therefore profits, or the capitalist's share of the national produce, which is opposed to wages, or the share of the labourer. (Hodgskin, 1825, p.5)

Hodgskin saw this existing situation as the result of particular social power relations, structures, and legal frameworks. He envisaged that a pure market economy could evolve a distributive system that would reward each constituent of production in proportion to the contribution that particular factor made.

### ***Labour Defended***

*Labour Defended* was, as its full title made plain, a defence of the labourers' interests against the claims of capital – "To suggest some arguments in favour of labour, and against capital, is my chief motive for publishing the present pamphlet" (Hodgskin, 1825, p.2).

Hodgskin's view, as expressed in a contemporary letter to the *Trades' Newspaper*, was that labour's productivity was not considered when determining its share of society's output:

Wages, let me remind your readers, have no reference whatever to the quantity produced by the labourer. At present all produce belongs in the first instance, to the landlords and capitalists; and wages is that sum which they *must* give for labour. It is clear that, they will never give a farthing more than they can help. They must have labourers; and therefore the natural price of labour is usually defined to be that price which is necessary to enable the *labourers*, one with another, to subsist, and to rear up as many labourers as the owners of all the produce of a country choose to pay and employ. (Hodgskin, *TN.*, 16<sup>th</sup> Oct. 1825)

Hence wages in accordance with Ricardian theory were maintained at or near to subsistence levels given the power that capitalists held over the labourers:

The labourer's share of the produce of a country, according to this theory, is the "necessaries and conveniences required for the support of the labourer and his family; or that quantity which is necessary to enable the labourers, one with another, to subsist

and to perpetuate their race, without either increase or diminution.” 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 most fertile soils, and all the rest of the whole produce of labour in this and every country goes to the capitalist under the name of profit for the use of his capital. (Hodgskin, 1825, p.6)

For Hodgskin, capital’s effectiveness resulted from current labour rather than from anything inherent in past or stored labour as capital or capital goods:

those benefits to civilisation, those vast improvements in the condition of the human race, which have been in general attributed to capital, are caused in fact by labour, and by knowledge and skill informing and directing labour (Hodgskin, 1825, p.33)

In fact capital seems to mean, when ultimately analysed, little more than, or be very little different from, the power of one man, however obtained, over the labour or produce of labour of another. (Hodgskin, E. 30<sup>th</sup> Dec. 1854, p.1454)

Hodgskin concluded *Labour Defended*, after having illustrated what he saw as the non-productiveness of capital, with a call for labour to be rewarded by an equivalent of what it produced rather than the bare subsistence level that employers impose.

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 its produce. (Hodgskin, 1825, p.33)

### **Hodgskin’s Claim**

Hodgskin asserted that labour should be rewarded with what it produced. All the contributing labour should be rewarded according to what it contributed. The assumption that labour should be rewarded with all that is produced, from this statement of Hodgskin’s, is made by recognising Hodgskin’s claim that only labour can contribute, but, as we shall illustrate subsequently, this was as much down to a definition of labour, as we have already discussed, as an understanding of the efficient cause of production.

There are several passages that support the assertion that Hodgskin did not view the whole produce of labour as the whole output. For example, in *Natural and Artificial Right of Property Contrasted* Hodgskin discussed the difficulty of assigning “the mutual shares of any two persons engaged in producing an article”. He used the example of a “weaver buying the yarn from the spinner, as the spinner buys the raw material from the merchant importer” (Hodgskin, 1832, p.35). Thus the weaver was left with the whole product but had to pay from this a sum to the spinner for the yarn, which would leave the weaver with the equivalent of the whole product of his labour. Likewise the spinners had to pay for their raw material to leave them the equivalent of the whole product of their labour.

In a similar discussion in *Labour Defended* regarding the division of “the produce of all” Hodgskin again stated it was up to individuals to apportion the whole produce between themselves.

While each labourer claims his own reward, let him cheerfully allow the just claims of every other labourer: but let him never assent to the strange doctrine that the food he eats and the instruments he uses, which are the work of his own hands, become endowed, by merely changing proprietors, with productive power greater than his, and that the owner of them is entitled to a more abundant reward than the labour, skill and knowledge which produce and use them. (Hodgskin, 1825, p.27)

Hodgskin here did not say that the providers of the instruments the labourer used were not entitled to any reward but that reward did not change in quantity simply because it was the property of a capitalist.

### **The Problem of Interest**

In his review of Edward Kellogg’s *Labour and other Capital* (1849) Hodgskin reproduced the example from Dr. Price of the all consuming nature of compound interest that he had previously used in *Labour Defended* (1825).<sup>238</sup>

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<sup>238</sup> In *Labour Defended* Hodgskin had noted that:

Dr. Price has calculated the sum of one penny put out to compound interest at our Saviour’s birth, at 5 per cent., would in the year 1791 amount to a sum greater than could be contained in three hundred millions of globes like this earth, all solid gold. (Hodgskin, 1825, p.22)

This passage can be seen recycled in *The Economist*:

Dr. Price, as most of our readers are probably aware, showed by calculations, about 50 years ago, that the sum of one penny put out to

He also provided a concise explanation as to what he saw as the relationship between interest and the labourers' resultant reduction to subsistence wages:

Many years ago that calculation was adduced to show that capital, bearing interest or put out to profit, and a portion of the interest being saved and continually put out again to interest, must necessarily absorb all other wealth, leaving to labour, without which capital can have no profit, a bare subsistence, and leaving for rent only the surplus which remains from the best lands after the profit of capital employed on the worst lands, necessarily tilled for subsistence, has been paid. (Hodgskin, *E.*, 17<sup>th</sup> March 1849, p.303)

The sheer magnitude of compounded interest would accelerate faster than could be hoped to be met by labour striving to match its growth.

Of course the ultimate term to which compound interest tends can never be reached. Its progress is gradually but perpetually checked, and it is obliged to stop short of the desired goal. (Hodgskin, 1825, p.23)

Hodgskin pointed out that in contemporary political economy this was generally seen as a falling rate of profit, resulting from either of two reasons, although he was satisfied by neither explanation:

The political economist either say with Adam Smith, that the accumulation of capital lowers profits, or, with Mr. Ricardo, that profits are lowered by the increasing difficulty of procuring subsistence. Neither of them have assigned it to the right cause, the impossibility of the labourer answering the demands of the capitalist. (ibid)

Hodgskin was not opposed to what may be seen as profit in the sense of a share (of turnover) as long as that gain could be associated with some labouring activity. It was rather unearned or non-labouring profit, which continued *ad infinitum*, that Hodgskin objected to. Hodgskin made this distinction in *Labour Defended* when he referred positively to "*simply profit*" but counter distinguished this with "*compound interest*" (Hodgskin, 1825, p.23).

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compound interest at our Saviour's birth, at five per cent, would be in the year 1791 amount to a sum greater than could be contained in three hundred millions of globes like this earth, all solid globes [sic].

It seems that later in his career, at *The Economist*, the words of *Labour Defended* could be safely reproduced (even allowing for the typographic error).

## Profiteering Labourers

Hodgskin highlighted that “Masters, it is evident, are *labourers* as well as their journeymen” and hence as labourers these “Masters” should receive their legitimate rewards and as “the contrivers and enterprising undertakers of new works ... they deserve the respect of the labourers”. These entrepreneurs were thereby “a useful class of labourers” (ibid).

There was no concept in these passages of labourers just acquiring the final output of production. In their role as labourers, those who would be classed as capitalists received their share as the product of their labours. It was as mere un-labouring idle capitalists that they would be undeserving of any reward.

By way of example we can see in *Popular Political Economy* (1827) a discussion of money and the history of banking, where Hodgskin referred to bankers as labourers:

Thus arose that class of men called bankers, who are still very important, and have long been very useful labourers. (Hodgskin, 1827a, p.206)

Hodgskin was equally receptive to the legitimacy of the labour of traders and dealers “who merely buy and sell with a view to gain” (ibid, p.145) so as to perform a useful service – “They reconcile the apparent incongruity of nature, and while labouring for themselves are useful to others” (ibid, p.149). However these labours are not paid by salary or wages in the normal everyday sense of the words but by commission or profit made on their transactions.

Retail dealers receive no wage for their services. They are paid by making a profit on what they sell; and on this account they are generally objected to. (ibid, p.151)

But Hodgskin did not object to them and although their remuneration may not have been in the usual form of a wage or salary, it was nevertheless the reward for their labour and thus, in a strict functional economic form, was a wage rather than the profit or interest as made by an apparently idle capitalist.<sup>239</sup>

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<sup>239</sup> It may be expedient therefore to term all income gained by the mere ownership of property as interest rather than profit, as profit could be a labouring reward and as such could be laboriously and (for Hodgskin) legitimately made. Wages could thus be seen as any salary, reward, gain, or any other remuneration that resulted from human activity or labour.

In his review of C. Morrison's *An Essay on the Relations between Labour and Capital* (1854) Hodgskin showed that he accepted that all people laboured or provided a service to some degree:

We know of no thoroughly idle people – all are workers: it is a law of man's nature that he works; (Hodgskin, *E.* 29<sup>th</sup> April 1854, p.458)

Thus it was not so much who should be rewarded, but relating labour to its appropriate reward that was the foremost issue. As it stood within the initial form of Ricardianism there was no such relationship between labour and what it produced. It was this link that Hodgskin championed.

The success of *Labour Defended* can be seen in the fact that in order to counter his propositions the productiveness of capital had to be examined, and promoted.<sup>240</sup> The notion that capital warranted the whole residue of production after rent and subsistent wage deduction was, for many, no longer tenable, or at the least had become questionable.<sup>241</sup>

### ***Labour Rewarded***

In his *Labour Rewarded*; Thompson received Hodgskin's pamphlet favourably, but not without some criticisms.

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<sup>240</sup> Indeed Lord Lauderdale had noted that these issues had not been particularly of concern within political economy –

What is the nature of the profit of stock? and how does it originate? Are questions the answers to which do not immediately suggest themselves. They are, indeed, questions that has seldom been discussed by those who have treated on political œconomy; and important as they are, they seem nowhere to have received a satisfactory solution. (Lauderdale, 1819, p.155)

In her *The Ricardian Socialists* (1911), Esther Lowenthal claimed priority for Hodgskin in relation to proposing that labour should be rewarded with the whole product, although she associates this with the Labour Theory of Value, which we will later show Hodgskin did not adhere to in the form it is usually portrayed in.

In his use of the labor theory of value to back the claim of the laborer to the whole produce of industry, Hodgskin is the earliest of the English socialists, for his "[Travel in the North of] Germany" antedates by some years the work of both Thompson and Gray. It is a claim, however, that was very much in the air, and his statement differs in no way from that of his contemporaries. (Lowenthal, 1911, p.72)

<sup>241</sup> Although as J.B. Clark was to note in his 1883 article *Recent Theories of Wages*, the separation of wages and productivity still lingered towards the end of the 19<sup>th</sup> century.

The divorcement of wages and products is made the ground of inferences so important as to justify the closest examination of the principles from which they are derived. (Clark, *NE.*, May 1883, p.355)

The title of this address to you has been suggested, as you will perceive, by a late excellent pamphlet called “Labour defended.” The object of that pamphlet has been to show that labor and materials are the sole constituents of wealth, that capital is the mere creature of the two; that capital, the creature of these two original means of production, is not entitled to the same consideration with them; that most of the effects commonly attributed to capital, arise from *co-existing* labor; that the holders of capital are *therefore* unentitled to the same remuneration with the producers of wealth, or with the active contributors, whether by mind or muscle, to the common happiness. (Thompson, 1827, p.1-2)

The year before *Labour Defended* Thompson had published his book *An Inquiry into the Principles of the Distribution of Wealth most Conducive to Human Happiness* (1824), which contained some points not too dissimilar in essence from those in *Labour Defended* that may well have influenced Hodgskin.

For Thompson labour was “the parent of Wealth”, thus he proposed that “Wealth is produced by labor; no other ingredient but labor makes any object of desire an object of wealth” (Thompson, 1824, p.6). Coupled with this, another proposition could also be seen similar to Hodgskin’s:

The produce of no man’s labor, nor the labor itself, nor any part of them should be taken from the labourer, without an equivalent by him deemed satisfactory. (ibid, p.78)

However for Thompson as the purpose of wealth creation was solely to increase human happiness, this second proposition, which for him amounted to complete social equality, was limited by the overriding pursuit of increasing human happiness.<sup>242</sup>

*Wherever equality does not lessen production, it should be the sole object pursued. Wherever it decreases really useful production, (that which is attended with preponderant good to the producers,) it saps its own existence, and should cease.* (Thompson, 1824, p.91)

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<sup>242</sup> It is interesting to note that in this context Thompson fleetingly touched on the concept that was to become known as Diminishing Marginal Utility:

If this system of absolute equality were consistent with production, it ought to be universally adhered to. Successive portions of wealth diminish in their power of producing happiness when added to the same individual’s share: but when divided amongst many individuals, the productive power of each portion is wonderfully increased, although the glitter of the effect may not be so apparent. (Thompson, 1824, p.91)

The consequence of these two propositions (that only labour can produce wealth and that labour should be rewarded with an equivalent of that produced wealth) could be seen as the claim that labour should effectively receive the whole worth of the product of its labour.

The fact that in *Labour Defended* Hodgskin appeared to emphasise such a claim, alarmed Thompson:

All the reasons and illustrations contained in the pamphlet come simply to this; that inasmuch as those who live on the interest or profit derived from capital do not themselves personally aid in the production of wealth, they ought, on that account, to be debarred from sharing any part of that wealth, the product of the national industry. (Thompson, 1827, p.2)

Thompson's estrangement from Hodgskin can be seen to be based upon three main issues.

Firstly, for Thompson, wealth could only be physical and as such only created by physical labour. Hence Thompson made his point that mental labour (such as Hodgskin writing) did not aid in the production of physical wealth and would therefore, like idle capitalists be debarred from receiving any income – "Why then should mental labor receive that reward which is denied to capital?" (ibid, p.3). In his *Popular Political Economy* (1827) Hodgskin made it abundantly clear that he considered mental labour as not only inseparable from physical labour, but, given improved knowledge and modes of production, it became increasingly more productive and important as society progressed, and thus equally worth its share of labour's product along with physical labour.

Secondly, the ultimate end of production was from Thompson's standpoint the creation of greater human happiness. If it could be shown or presumed that giving idle capitalists or mental labours a share of the national output would increase overall human happiness then it would be expedient so to do:

Another, a paramount, principle is covertly admitted, – the tendency of modes of action or states of things, to increase happiness, or promote preponderant good. Without the aid of this paramount principle, mental labour must be excluded, as well as capital, from *any share* in the products of labor. With the aid of this principle, capital, or those who live on profit and interest, *may* be admitted to a share in the products of muscular industry. (Thompson, 1827, p.3)

Whilst Thompson saw economic policy as dominated by this happiness maximising principle, Hodgskin was not directly concerned with economic policy but simply in stating what he saw as economic laws independent of expediency or moral judgements. Hodgskin accepted that individual behaviour would be best served by each seeking to maximise their own happiness. However, he was not tied to what Thompson saw as a paramount principle when discussing what reward was due to mental and physical labour.

Thirdly, Thompson saw competition as a bane rather than a boon and thereby pursued an economic framework based on co-operation and socialistic principles. For him the failure of the labouring classes to have attained a fair and just remuneration for its labour was the result of competition pitting all against each other. He also noted that Hodgskin was apparently unique amongst pro-competitive economists in calling for labour to be rewarded with the whole of its product.

The author of the pamphlet "Labour Defended," stands alone, as far as I know, amongst the advocates of Individual competition, in even *wishing* that labor should possess the whole of the products of its exertions. All other advocates of individual competition look on the notion as visionary, under the Competitive System. I think with them, that the possession by Labor of the whole product of its exertions, is incompatible with individual competition; (Thompson, 1827, p.97)

It would seem that this was indeed the case, after the short term exposure of economic heterodoxy generally known as Ricardian socialism. As we will discuss later, it was not until the emergence of Austrian Economics in the latter part of the 19<sup>th</sup> century, that the issue of labour's reward in relation to its whole product again became an issue of debate.

Hodgskin saw fault with the legal system and its self-interested domination over the labouring class as the reason why competition had not attained its full potentially liberating ends. For Thompson the overriding principle of maximising happiness would enlighten workers into a distributive system based on equality rather than justly claiming their own.

Though labor might be secured in the *right* to the whole products of its exertions, it does not follow that labor might not, in order to ensure a vast increase in production and enjoyment to everyone, as well as mutual insurance from all casualties, voluntarily agree

before production to equality of remuneration – should such agreement be demonstrated to be productive of such effects. (Thompson, 1827, p.37)

Thus Thompson's concerns and his differences with *Labour Defended* resolved around the authors' differing perspectives and economic agendas rather than anything substantial. Thompson's objections against mental labour were resolved by Hodgskin's recognition of mental labour's role in production, and they both agreed that the worker had a right to his product but disagreed as to how that right should be put into practise.

### **Samuel Read's Response**

The first economist to meet the socialists on their own grounds was Samuel Read (Blaug, 1958, p.144)

The defenders of capitalism were aroused to refute him [Hodgskin]. One such was Samuel Read in his *Natural Grounds of Right to Vendible Property* of 1829. (Halévy, 1956, p.128)

After Thompson the next response to *Labour Defended* came in Samuel Read's *Political Economy: An Inquiry into the Natural Grounds of Right to Vendible Property or Wealth* (1829), which was a direct attempt to assimilate the question of rights to property within political economy:<sup>243</sup>

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<sup>243</sup> Read professed to follow Smith in his stated opposition to both Ricardo and Malthus. Read "claimed to be returning to Smith" (O'Brien, 1970, p.140) – a position that Hodgskin also aligned with, especially in his letters of 1820 to Francis Place. Seligman also recognised Read's contribution to the political economy of the time.

Although in the main a conservative and almost an orthodox economist, notwithstanding his objections to the Malthusian theory, Read deserves recognition in four particulars: he is an acute critic of some of the weak points in the classical theory of distribution; he is the first economist to show the connection between Ricardian economics and Ricardian socialism; he is in part the originator of the risk theory of profits, and he is above all the first English [sic] economist who, while unreservedly recognising the function of capital, emphasizes the fact that the capitalist has duties as well as rights, and that economics is a science not only of what is, but of what ought to be. (Seligman, 1903, p.106)

Read cited (favourably and otherwise) Adam Smith (*WN* and *Theory of Moral Sentiments*), Ricardo, Torrens, Malthus, McCulloch, William Paley, Samuel Bailey, Lord Lauderdale, Sir Walter Scott, Alexander Hamilton, David Hume, J.B. Say, William Godwin, Perronet Thompson, Patrick Colquhoun, various anonymous works and from the *Edinburgh Review and Scotsman*, as well as numerous North American publications. Read's writings, unlike many contemporary works, were relatively precise in its referencing of quotations used.

Political Economy has been hitherto designated as the science which treats of the production and distribution of wealth, and it has been totally overlooked that this includes the demonstration of the right to wealth. It is here therefore, for the first time, treated as an investigation concerning the right to wealth, (or property;) and this innovation, while it 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. (Read, 1829, p.ix)<sup>244</sup>

Read recognised that labour was not alone in its mal-estimation of its due; both sides of the debate, labour and capital, were at fault with their claims as to the share received from the national output.

Although it seems to be one of the most obvious things imaginable, that, in all advanced periods of society, *capital* is at least as potent as *labour* in the production of wealth; yet the labourers have been flattered and persuaded that they produce all; whilst the capitalists, on the other hand, not contented with their proper and just advantages, as being the possessors and proprietors of capital, and with the profit *naturally* and *fairly* arising from it, have combined and established laws of preference and

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Read's first work had been the explicitly entitled *Exposure of certain Plagiarisms of J.R. McCulloch* (1819) published in Edinburgh; O'Brien referred to Read as McCulloch's "old enemy" (O'Brien, 1970, p.140). In the closeness of the Edinburgh academia we might presume that Hodgskin was aware of Read's early work especially his *General Statement on the Subject of Population* (1821). This was Read's attack on Malthusian population theory, in which Read adopted an approach not dissimilar to Hodgskin's own concerns.

The obstacles which prevent the full and equal population of the globe, and which hinder mankind from dwelling and increasing in its different parts, in numbers proportional to the various advantages of climate, situation, and soil, are all referable to the deficiency and imperfection of political institutions, laws, and government. (Read, 1821, p.5)

The eminence of Samuel Read's work can be seen demonstrated when Scrope reviewed the leading works on political economy for his 1831 *Quarterly Review* article, his choices were Malthus' *Definitions* (1827), McCulloch's *Principles* (1830) and Samuel Read's *Political Economy* (1829) – "Poulet Scrope's ... attack on political economy was so strong that John Stuart Mill was drawn to accuse Scrope of arrogance – *Examiner*, January 30, 1831, p.68." (O'Brien, 1970, p.76)

<sup>244</sup> A short *Notice* commenting on Read's *Political Economy* in *The Monthly Review* of March 1830 seems to have concurred with Read's own assessment:

Mr Read, indeed, has evidently investigated the subject with a great deal of original and independent thinking. Political Economy has, hitherto, been confined to the production and distribution of wealth, whereas Mr. Read carries it a step further, and begins by investigating the right to wealth or property. This innovation evidently gives a more definite and important object to the science, and causes it to assume a form altogether novel. (*Monthly Review*, March 1830, p.469).

favour – laws of restriction, monopoly, and exclusion – which increase their profit beyond its legitimate bounds, and really trench upon the rights of the labourers, not only as limiting unnecessarily and partially, and consequently *unjustly*, the field for their exertions, but in various ways preventing those exertions from being crowned with that ample and adequate remuneration which would naturally and necessarily reward them under a different and juster system. (Read, 1829, p.xxix-xxx)

Thus Read acknowledged that labour was being denied its full just reward because of the activities of the capitalists, but was alarmed at the extremity of the notion that only labour created wealth, and the oft drawn conclusion from that, that all wealth should go to those who laboured.

Whilst Hodgskin avowed it necessary for all to labour, Read envisaged a class of person who, being landlords or capitalists, had escaped from this necessity and should therefore be classed as non-labourers.

All that is intended by the term non-labourers, as applied to designate this class, is merely to recognise their right and privilege, and to distinguish them from those who must *necessarily* labour: for only the persons entitled to the privilege implied by this term are the proprietors of land and the proprietors of capital. (ibid, p.43)

These privileges attained by non-labourers were, for Read, reasonable, seeing the contribution that capital made to production. Read accepted that such privileges were not necessarily earned but could be the result of good luck;

having been emancipated or exempted from all obligation or necessity to labour by their own or their father's industry and parsimony, or good fortune, which enabled them to amass, or to produce that capital or store of wealth, (ibid)

Having accepted the possibility that capitalists' rewards were not necessarily solely the upshot of their own productive activity, with his recognition of "good fortune", Read had to seek for capital's recompense in its own productive capacities. Hence much of Read's book was an attempted justification of capital's share of national output.<sup>245</sup> Read accepted that labour's share should not be seen as restricted to subsistence levels. Although it often was reduced to

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<sup>245</sup> The notion that profit was the reward for abstinence or some initial activity such as parsimony or foregone utility or pleasure, had yet to arise, initially within G.P. Scrope's review of Read's work.

this level in practice, this was not a theoretical necessity as it had often been portrayed as.

Additionally, Read was unable to accept that capital could be reduced down to a quantity of past labour, but held some intrinsic worth over and above the labour necessary to create it. In the section where he specifically refuted *Labour Defended* (book 1, chapter ix, section iii) Read made his point that capital was the product of both labour and other capital, but never solely labour:

As to the question [*Labour Defended*, p.14], "Are they, (viz. instruments and machines) or are they not the produce of labour?" I distinctly answer, *No, they are not*. They are not the produce of labour alone, but of labour assisted by capital. I will only illustrate this answer further than it already has been done, by remarking, that, as we saw before, the produce of an improved and cultivated field was not wholly the produce of the labourer who merely ploughed and sowed it last; and as we now see that the cutting of a tree into planks in a few minutes by a saw-mill is not wholly the work of the person who guides the machine, but rather of the machine itself chiefly, so the construction of the machine was not effected without the assistance of another machine, and innumerable previously accumulated capitals. And so of all other machines or instruments, or fixed capitals. (Read, 1829, p.131)

Hodgskin had accepted that fixed capital was indispensable to production –

Every man must admit that by means of instruments and machines the labourer can execute tasks he could not possibly perform without them; (Hodgskin, 1825, p.14).

However Hodgskin's overall contention was that without human action, no production could take place; as we discussed previously, labour was the effective cause of production.

Read's other argument with *Labour Defended* was the assertion by Hodgskin that a stock of goods such as food and clothes, circulating capital, did not actually need to be in existence prior to production, as long as there was a conviction that such daily requirements would be produced and be available as and when required. Read was one of those who persisted in the argument that such stock would have to be in existence prior to production and hence circulating capital was of itself productive (Read, 1829, p.125-6).

## Other Contemporary Reactions

In a letter to Lord Brougham, James Mill alleged that Hodgskin's work amounted to "the subversion of civilised society; worse than the overwhelming deluge of Huns and Tartars":<sup>246</sup>

The nonsense to which your Lordship alludes about the right of the labourer to the whole produce of the country, wages, profits, and rent, all included is the mad nonsense of our friend Hodg[s]kin, which he has published as a system and propagates with the zeal of perfect fanaticism. (Mill, 3<sup>rd</sup> Sept. 1832: in Bain, 1882, p.364)<sup>247</sup>

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<sup>246</sup> In his *The Life of Francis Place* (1898) Graham Wallas concluded that Mill's letter to Brougham resulted from an exchange of letters between James Mill and Francis Place in October 1831 where Place had explained that a delegation to Mr. Black (the editor of the *Morning Chronicle*) could be traced back to Hodgskin.

The doctrine they are now preaching is that promulgated by Hodgskin in a tract in 1825, entitled "Labour Defended against the Claims of Capital" (Place to Mill, 26<sup>th</sup> Oct. 1831: cited in Wallas, 1898, p.274n)

<sup>247</sup> The association between labour and its produce was not uncommon in the early nineteenth century and should not be seen as originating either with Hodgskin or the Ricardian Socialists, although popularised by them. As Hodgskin pointed out John Locke had asserted that – "for the labour being the unquestionable property of the labourer, no man can have a right to what that is joined to" (Locke, 1690, Bk. II. Ch.5, s.27: Hodgskin, 1832, p.25).

For example, in James Mill's *Essay on Government* a similar notion was broached, five years before Hodgskin's *Labour Defended*, which could be interpreted as assigning the whole produce of labour as the maximum reward that should be achieved by labour;

to obtain labour in the greatest possible quantity, we must raise to the greatest possible height the advantage attached to labour. It is impossible to attach to labour a greater degree of advantage than the whole of the product of labour. Why so? Because, if you give more to one man than the produce of his labour, you can do so only by taking it away from the produce of some other man's labour. The greatest possible happiness of society is, therefore, attained by insuring to every man the greatest possible quantity of the produce of his labour. (Mill, 1820, p.5)

James Mill appears not to have associated his own remarks with those later echoed in *Labour Defended*.

Before James Mill, Lord Lauderdale recognised that the Lockean position could be used to understand capital's profit as exploitative of labour.

If this, however, was a just and accurate idea of the profit of capital, it would follow that the profit of stock must be a derivative, and not an original source of revenue; and capital could not therefore be considered as a source of wealth, its profit being only a transfer from the pocket of the labourer into that of the proprietor of stock. (Lauderdale, 1819, p.157-8)

Ricardo seems to have accepted that rents were a transfer of wealth created elsewhere – "rent is not a creation but a transfer of wealth. It is the necessary

This exemplifies the typical misrepresentation of what Hodgskin was actually writing. It was only unearned income as profits or rent that Hodgskin objected to. What was by some called profit, for Hodgskin amounted to wages of supervision or the reward for the capitalists' actions and was thus not unearned. Hence there was a considerable degree of logomachy surrounding this issue.

Subsequently the workers' right to the whole produce of labour became couched within the issue of the security of property. For James Mill and Bentham such security could only be maintained with legal protection.<sup>248</sup> In contrast to this Benthamite position Hodgskin asserted that there was an inherent or natural right of security in *one's own*. He not only claimed that it was unwarranted and contradictory to separate the right of property from the right to the whole produce of labour, but that it was hypocritically denied in the usual or orthodox acquiescence to legal property rights.

It is not a little extraordinary that every writer of any authority, since the days of Mr. Locke, has theoretically adopted this view of the origin of the right of property, and has, at the same time, in defending the present right of property in practice, continually denied it. (Hodgskin, 1832, p.26)<sup>249</sup>

Nevertheless, the contention that the right to the whole produce of labour was a claim to the whole output of production was maintained.

The whole of price therefore, belongs of right, to him who alone confers the value, which produces price. Profits charged by the capitalist, are a fraud on the operative, who is thus robbed of what he alone has earned, and which would have no existence but for his skill and industry.

Such is the argument if I understand it. Mr Hodgskin and the mechanics, do not state the argument on the other side. (Cooper, 1830, p.350)<sup>250</sup>

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consequence of rent being the effect and not the cause of high price." (Ricardo, VII, p.120). In his *Principles* Ricardo cited a passage from Buchanan's edition of *The Wealth of Nations* to which he stated that "I fully agree" – that rent was "nothing more than a revenue transferred from one class to another;" (Ricardo, I, p.398-9).

<sup>248</sup> "both Mr. Mill and M. Dumont [Bentham's French translator], describe the right of property to be the offspring of law." (Hodgskin, 1832, p.16)

<sup>249</sup> David Ellerman noted that "Hodgskin points out the inconsistency of orthodox social theorists who pay lip service to Locke's theory and then defend the usual arrangements of property" (Ellerman, 1992, p.51).

<sup>250</sup> Hodgskin never referred to price when discussing the claims of labour to the whole product. He kept his discussion on price quite separate (as we shall do see in our later

In London James Mill, Lord Brougham and Charles Knight established the *Society for the Diffusion of Useful Knowledge*. Thomas Cooper was cited in their direct attacks on Hodgskin's *Labour Defended* in such works as *The Results of Machinery* and *The Rights of Industry* (1831) published in their series of works under the umbrella title of *The Working Man's Companion* in the early 1830.s. *The Rights of Industry* was republished in subsequent editions entitled *Capital and Labour* (1845) and *Knowledge is Power* (1854). Although initially published anonymously, these later editions were acknowledged as the work of Charles Knight who accepted authorship of the earlier works.

### **Hodgskin's Reaction to the Diffusion Society**

Hodgskin was angered by these publications, particularly the personal tone that they, who he had previously seen as friends, adopted towards him. To this end they elicited two publications from Hodgskin. Firstly, a second edition of *Labour Defended* with an additional *Notice* dated December 1831, that illustrated his strength of feeling:

The attempt lately made by the Society for the Diffusion of Useful Knowledge, with the Lord Chancellor at its head, to flatter the capitalists and delude the labourers by a collection of old and new stories, arranged in a little book, being a volume of *The Working Man's Companion*, called *The Rights of Industry*. Section 1. '*Capital and Labour*,' with a view to prove the utility of capitalists, and the natural dependence of labourers, and thereby to show, that even now the latter is indebted to the former for the supply of his wants; together with the notice which that book takes of this little publication, denouncing its doctrines in no measured terms, and affirming, that its author, with others, who are styled "Ministers of Desolation," will be able "to sing their triumphal song of *Labour Defended* against the Claims of Capital, amid the shriek

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Chapter *Price*). Cooper did not specify what aspect of price he meant although from its tone one might perceive that he was referring to money price. On this Hodgskin had clearly stated that:

It [natural price] is the prime but not sole regulator of exchangeable value, of money and of social price. 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 only in 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. (Hodgskin, 1827, p.233)

Additionally Hodgskin recognised that changes in money price were a necessary economic indicator and regulator of consumption – they were the "index to the wants of society" (ibid, p.235)

of the Jackall and the howl of the Wolf,” induces the author now to come before the public with a second edition. He is certainly much flattered by observing how very feeble is the impression made on his arguments by the work of the Diffusion Society, though “*Capital and Labour*” is obviously directed against his book; and remaining convinced of their accuracy, he feels bound, though he cannot distribute his work to all the newspapers of the Kingdom through the Home Secretary’s Office, to hold them forth as an antidote to the errors which one of the most useless societies that ever usurped an honourable name, assumed honourable functions, is trying to palm on his countrymen. (Hodgskin, 1831, p.iii)

Secondly, in 1832 Hodgskin published a series of letters to Lord Brougham as *Natural and Artificial Right of Property Contrasted* which continued his condemnation of the Society for its personal attacks against him.

Since then, your society has published a book entitled, “*The Rights of Industry, Capital and Labour*,” one great object of which is, to refute, and failing to refute, to decry my little work, called, “*Labour Defended against the Claims of Capital*.” In your book, for you are the avowed patron and protector of the society, and for aught I know, the author of this very work, the present legal right of property is held up to the admiration of the people, through a whole chapter, and impugners of that right, myself amongst the number, are stigmatized as “bitter enemies of the people,” as “blind guides” as “ministers of desolation,” as “destroyers,” and as possessing, many other ugly antisocial characteristics. Pretending to be the instructors of people, though the works of your society have ever been distinguished for the incorrectness of their logic and the meagreness of their knowledge, here we find you and it defending a natural wrong, because it is a legal right; (Hodgskin, 1832, p.165-6)<sup>251</sup>

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<sup>251</sup> When in 1854 Hodgskin reviewed the latest incarnation of these works for *The Economist*, published as Charles Knight’s *Knowledge is Power*, he noted the original opposition to his notion on labour’s property claims:

He [Knight] took part in opposition to the principle, that the property in labour is at all times the foundation of the *right* of property, and was the advocate of capital exclusively. Experience has enlarged his views, and he is now sensible that a much wider principle than saving, though that is a virtue, is very useful, helps forward social improvement, and, in common with many other things, ensures progress and order. (Hodgskin, *E.* 30<sup>th</sup> Dec. 1854, p.1454)

### **Anton Menger's *Right to the Whole Produce***

In his *Introduction* to the English translation of Anton Menger's *The Right to the Whole Produce of Labour* Herbert Foxwell noted that after the initial responses to Hodgskin there were to be no real discussions of him and his contemporaries until the 1880.s with such works as Alexander Bain's *James Mill. A Biography* (1882) and Graham Wallas' *The Life of Francis Place* (1898).

After James Mill and Brougham, no leading economist seems to have thought the English revolutionary socialism worth notice, and the very names of its chief writers were unknown to most of them until quite recent times. (Foxwell, 1899, p.lxxvii)

Foxwell saw this exemplified in J.S. Mill:-

It is hard to understand how they could have been ignored by J.S. Mill. Holyoake tells us that Mill frequented the meetings of the early co-operators. He must have known of Hodgskin from his father, and of Thompson, with whom he had much in common, from Bentham. (ibid)

However Menger in his *The Right to the Whole Produce of Labour* (1886, English translation 1899), as Hodgskin had done in *Natural and Artificial Right of Property Contrasted*, saw the legal system as crucial to distribution. Menger realised that laws, "being the outcome of quite other than economic conceptions", were generally opposed to the economically ideal.

The ideal law of property, from the economic point of view, would therefore be attained in a system which ensured to every labourer the whole produce of his labour, (Menger, 1886, p.2)<sup>252</sup>

Menger thus recognised that the legally sanctioned position was counter to economic expediency. He further stressed that labour did not receive its product

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<sup>252</sup> Anton Menger's fellow Austrian Economist Friedrich von Wieser also recognised some legitimacy in the claim of the labourer to the whole produce, dependent upon the perspective adopted of the imputation issue within the production process.

Clearly this will depend on the standpoint from which the imputation is calculated. If it is the moral imputation that is in question, then certainly no one but the labourer could be named. Land and capital have no merit that they bring forth fruit; they are dead tools in the hand of man; and the man is responsible for the use he makes of them. Evidently all those who, in any sort of way, have assisted in bringing about the result, are counted among the labourer, - those who direct as well as those who carry out. Indeed, there is no possible doubt that the greatest thanks are not due to mechanical exertions, if we are speaking of imputation in the highest sense of the word. (Wieser, 1888, p.79-80)

because of legalities which enabled the appropriation of labour's product by landlords and capitalists.

Our present law of property, which centres in private possession, does not, in the first place, guarantee to the labourer the whole product of his labour. By assigning the existing objects of wealth, and especially the instruments of production, to individuals to use at their pleasure, our law of property invests such individuals with an ascendancy, by virtue of which without any labour of their own, they draw an unearned income which they apply to the satisfaction of their wants. This income, for which the legally-favoured recipients return no personal equivalent to society, has been called rent (Rent) by the Saint-Simonians and the followers of Buchez and Rodbertus; by Thompson and Marx, surplus value (Mehrwert); I intend to call it unearned income (arbeitlose Einkommen). The legally recognised existence of unearned income proves in itself that our law of property does not even aim at obtaining for the labourer the whole of his industry. (ibid, p.2-3)

Menger's comments are illustrative of several points. Firstly, Menger did not dismiss the concept that labourers were entitled to the whole product of labour. He did not view the claim to the whole product of labour in what David Ellerman called the naïve sense but as an economically legitimate claim that just happened not to be legally accepted.<sup>253</sup> Foxwell persisted with the criticism of the naïve view of the "claim of labour to the whole produce of industry, without deduction of any kind" (Foxwell, 1899, p.vii).<sup>254</sup>

Secondly, Menger accepted the notion that there was an element of what he called unearned income appropriated from the labourers' product by the owners

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<sup>253</sup> Fred Day's paper *John Bates Clark, Socialism and Labour* (2008) discussed David Ellerman's exposition of the naïve conception of the claim that labour should be rewarded with the whole produce of labour.

<sup>254</sup> Foxwell was, of course, not alone in this apparent misunderstanding. In a review of the English translation of Menger's *The Right to the Whole Produce of Labor*, for the *Annals of the American Academy of Political and Social Science* (Vol. 16, Sept. 1900) Richard T. Ely made a similar reading:

Professor Menger, as a jurist profoundly interested in the development of society, endeavors to add to the fullness of our knowledge by a critical examination of what many have regarded as the central demand of modern socialism, viz.: the right of labor to the entire industrial product, and he conducts his examination from the legal point of view. (Ely, 1900, p.133)

Richard T. Ely (1854-1943) was the founder of the American Economic Association and like John Bates Clark had studied in Heidelberg under Karl Knies, an of important economist of the German Historical School.

of the “instruments of production” which he deliberately separated from their labouring activity. He suggested that a self-employed worker would be gaining unearned income, resultant from the mere ownership of property;

But even the landlord who farms his own land, and the capitalist who engages in industry or trade, still of necessity obtain unearned income in the form of rent and profit respectively. (Menger, 1886, p.3)

Given that Hodgskin was not a socialist Menger only mentioned Hodgskin in passing in his book. As Menger’s work related to the three specific claims of the socialists and not solely to the claim to labour’s product, this was quite justified.<sup>255</sup> Hodgskin did not make the claims for labour to subsistence or to work, which were encompassed within Menger’s remit. Menger appeared to be in agreement with Hodgskin on “The recognition of the justifiable claim of the labourer to that which his labour has produced gives the first fundamental economic right, *the right to the whole produce of labour.*” (ibid, p.6)

It was the subsequent socialist claims to the “second economic right, *the right to subsistence*” and the “third economic right, *the right to labour*” that Menger was critical of (ibid). In this sense Hodgskin had no place in what Foxwell calls Menger’s “history and a criticism” (Foxwell, 1899, p.vi). Thus Foxwell’s lengthy discussion of Hodgskin in the *Introduction* to the English edition of Menger’s work was not so much an extension of “Dr. Menger’s inquiry”, but further illustrated the misunderstandings that have been evident in relation to Hodgskin’s economics and particularly to ideas regarding the labourers’ claim to labour’s whole product.

### **Menger’s Conclusions**

After his historical expositions of English socialist writers (which did not include Hodgskin) Menger noted two aspects to the claim for labour’s right to its produce:

The right to the whole produce of labour, in the sense in which it figures in socialist theories, leads on one hand to a criticism of existing conditions, and on the other hand to constructive proposals for their modification. In its negative critical function it

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<sup>255</sup> “According to Anton Menger, Socialism usually assumes three economic basic rights – the right to the full produce of labour, the right to existence, and the right to work” (Mises, 1932, p.48).

repudiates as an intolerable injustice all unearned means of existence, whether in the form of rent or interest. Its positive constructive function is to allot to every labourer such a share of the value of the total production as he by his labour has produced. (Menger, 1886, p.159)

Clearly, Hodgskin, although not a socialist, presented both these negative and positive functions in his work, which may explain why he has been repeatedly associated with contemporary socialists.

Menger also aligned the right to the whole product with three possible forms of property schemes:

- (1) Private property, always united with separate use of the objects possessed.
- (2) Community of property with separate use.
- (3) Community of property with community of use. (ibid, p.161)

Hodgskin held to the first property system of private property with separate use, although he felt the need to reiterate this, because of his association with those that Menger saw as socialist.

allow me to separate myself entirely from them, by declaring that I look on a right of property – on the right of individuals, to have and to own, for their own separate and selfish use and enjoyment, the produce of their own industry, with power freely to dispose of the whole of that in the manner most agreeable to themselves, as essential to the welfare and even continued existence of society. (Hodgskin, 1832, p.24)

Menger saw the labourers' claim as unworkable with individual private property due to the legal conditions that would still persist in creating unearned income:

Under the sway of private property with separate use, that is under the conditions actually dominant in almost the whole of Europe, the right to the whole produce of labour can never be realised. For under such an organisation, the means of production and consumable commodities being legally assigned to separate individuals, the owners are enabled, by virtue of their legal monopoly, to draw unearned income in the form of rent or interest. All proposals to combine separate use and private property with the right to the whole produce of labour, whether by a reorganisation of credit (Proudhon), or of purchase, exchange, and wage contracts (Rodbertus), are inevitably wrecked upon this legalised ascendancy of landowners and capitalists. (Menger, 1886, p.161)

However the scheme that Hodgskin favoured was, showing his anarchistic tendencies, outside of a legal organisation of society, which Menger seemed unable to envisage or contemplate. Menger, like Bentham and James Mill before him, assumed that private ownership could only be sustained with legal enactments, whereas Hodgskin, as illustrated in *Natural and Artificial Right of Property Contrasted* (1832), supposed that legality rather corrupted the natural property right, or as we have previously discussed, legality was exogenous to the purely economical.

Menger's acceptance that remuneration as "unearned income in the form of rent and interest" occurring by "virtue of their legal monopoly", was a position that Hodgskin had recognised. Hence for Hodgskin the difficulty that Menger saw for combining "separate usance and private property with the right to the whole produce of labour" would be alleviated by the removal of the legal instruments that enforced "artificial" monopolies.

### **Later Expositions**

H.S. Foxwell referred to the claim that the worker had the right to the whole produce of labour as "the cardinal doctrine of revolutionary socialism" (Foxwell, 1899, p.v).

The claim of labour to the whole produce of industry, without deduction of any kind, has, in one or other of the various interpretations that may be put upon it, served as the foundation of most of the protean forms of modern socialism; (Foxwell, 1899, p.vii)

However, Hodgskin clearly expressed this claim in terms of labour enjoying "the whole of its produce" and not as subsequently expressed as the whole produce of production.

When Ludwig von Mises discussed Anton Menger's work in *Socialism* (1932), he recognised that an interpretation which confused the whole produce of labour with all that was produced (by society) was a verbal confusion:

that particular demand of socialism appears quite absurd. But to the layman it is not so. The habit of speech with which it is expressed derives from the view that value comes from labour alone. Whoever takes this view of value will see in the demand for the abolition of private ownership in the means of production a

demand for the full produce of labour for the labourer. (Mises, 1932, p.48)

Hodgskin did not demand the abolition of private ownership of the means of production and yet did uphold a right for the labourers to the whole produce of their labour. Thus the misunderstandings, as illustrated by the comments of James Mill and Thomas Cooper in the 1830.s, and later by Foxwell (and Ely), seem at best a simple confusion.

Hodgskin's commitment to private property and the labourers' right to the whole of their produce could only be consistent if the whole produce of labour is taken in the sense as expressed by David Ellerman in *Property & Contract in Economics* (1992) – as production's output less its inputs, rather than just the whole final product of production.

### **Concluding Remarks**

Hodgskin's claim that labour should receive the whole of its product was not particularly perverse or extreme, if understood as we have attempted herein. Notwithstanding this it has often been misinterpreted as meaning that the whole of output belongs exclusively to the labourers. In this naïve sense it was neither a viable nor a judicious claim to maintain, and we do not believe it was one pursued in this manner by Hodgskin.

# Chapter 6

## Value

### Agenda

Having considered political economy as the science of labour and investigated what constitutes labour and its product we now look at what for some economists was a major issue within political economy, namely what was the value of the produce that labour created. Our aim is to dissociate Hodgskin from the perspective he is generally portrayed within – that of adhering to a labour theory of value. We will illustrate that Hodgskin, and some of his contemporaries, did not hold a strict or objective labour theory of value. Indeed he acknowledged what has subsequently come to be understood as a subjective notion of value.

Whilst it is true that Hodgskin held what could be called a labour theory of price he fully recognised that value and price, whilst not completely unassociated concepts, were quite distinct. Hence before we progress onto the issue of prices in our next chapter, we will here discuss Hodgskin on the subject of value, so that any confusion associated with the subjects of value and price can be avoided.

### Hodgskin on Value

Hodgskin's musings on the topic of value are somewhat scattered as he did not directly write on the subject in the same way that he did with Prices.<sup>256</sup> Thus this section reviews pertinent material in order to get an overall perspective. We aim to show that he did not hold to an idea that value, in the sense of exchangeable value, was determined by some intrinsic quality embodied within a commodity in direct proportion to the labour that produced the item in question.

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<sup>256</sup> Indeed Hodgskin's *Economist* review of Ricardo illustrated the low priority that Hodgskin placed on the issue of value as an economic issue, when he portrayed "the exchangeable variations in the value of commodities" as being of "comparatively little importance". (Hodgskin, *E.*, 28<sup>th</sup> Nov. 1846, p.1557)

Further we do not conceive that Hodgskin was unique in his understanding of value and that what might be conceived of nowadays as a subjectivist concept of value was more widely held than has generally been accepted. Thus not only shall we represent Hodgskin's position in this regard but we also illustrate similar ideas held by some of his contemporaries, particularly Thomas de Quincey and John Stuart Mill.

### **Hodgskin's Concept of Value**

In his review of Richard Jennings' *Natural Elements of Political Economy* (1855) for *The Economist* (23<sup>rd</sup> June 1855) Hodgskin commented on Jennings' assertion that value was a subjective judgement, with surprise that as such a claim needed to be emphasised:

It never has been doubted that value is a mental conception, the result of the desires, labours, and interests of individuals, the consequence of mutual and contradicting haggling; (Hodgskin, 23<sup>rd</sup> June 1855, p.681-2)

This reflects his claim in *Labour Defended* that the value created by labour could only be determined in the market.

Each labourer produces only some part of a whole, and each part, having no value or utility of itself, there is nothing on which the labourer can seize, and say "this is my product, this will I keep to myself." Between the commencement of any joint operation, such as that of making cloth, and the division of its product among the different persons whose combined exertions have produced it, the judgment of men must intervene several times, and the question is, how much of this joint product should go to each of the individuals whose united labours produce it?

I know no way of deciding this but by leaving it to be settled by the unfettered judgments of the labourers themselves. If all kinds of labour were perfectly free, if no unfounded prejudice invested some parts, and perhaps the least useful, of the social task with great honour, while other parts are very improperly branded with disgrace, there would be no difficulty on this point, and the wages of individual labour would be justly settled by what Dr. Smith calls the "higgling of the market." (Hodgskin, 1825, p.25)

A recognition of subjective influences upon the conceptualisation of value and wealth can be also found in Hodgskin's discussion of the benefits of trade and the socially useful function performed by merchants;

All wealth, it must be remembered, has a relation to our wants. The rich and luscious pine-apple, that annually ripens and decays in the wilds of Africa, and the majestic trees which flourish and fade, century after century, in the unexplored forests of America, almost unseen and untouched by a single human being, are not wealth. Transport them, however, into Covent-garden market, or to the banks of the Thames, and they would instantly acquire that relation to the wants of some persons, which gives to a material object the characteristics of wealth. This is an extreme case; but the business of the merchant is to give, in a degree, this characteristic of wealth to every object he deals with. He removes commodities from where they possess little, to where they possess much value; from where there are few or no persons requiring them, and they are of little use, to where they are of more use, and where the demand for them is greater; and as far as this relation of material objects to the wants of man is concerned, he *creates* wealth as much as the man who, by converting wool into cloth, adapts it to the purposes of clothing. (Hodgskin, 1827a, p.172-3)

This passage is significant for its recognition of the relationships between human wants with both wealth and value. It might well be that a conception (or measurement) of value could be related to a notion of how much human action was necessary to produce a good, but no matter how much human action might be involved, without subjective desire, wants or perceived use, the good would have no value.

### **Hodgskin's Labour Theory of the Notion of Value**

In his chapter on *Money* within *Popular Political Economy* Hodgskin did make certain statements that could be interpreted as committing him, contrary to our position herein, to what might appear to be a labour theory of value. In order to achieve a balanced view it will be necessary to look at this in order to appreciate his position as a whole.

As all commodities are exclusively the produce of labour, there is no other rule, and there can be no other rule, for determining their relative value to each other, but the quantity of labour required to produce each and all of them. This circumstance establishes between metals and all other commodities a natural relation, subject only to such variations as may be caused by an increased difficulty or facility of procuring any one commodity, including the precious metals. (Hodgskin, 1827a, p.185)

On the surface this might appear an acceptance that value could be resolved by some objective quantification of the labour embodied within a commodity or necessary to its production. However, it is plain, by Hodgskin's remarks later in this paragraph that this is not what he meant. Rather he was positing the idea that the labour embodied in a good provided a psychological stimulus to our subjective recognition of value that goods might possess;

I say different quantities of labour are *naturally* necessary to procure, and different degrees of difficulty are *naturally* met with in procuring all commodities, and these differing quantities of labour, these different degrees of difficulty, establish in our minds a natural relation of value between all commodities, including the precious metals, which, though it may vary, exists at all times and places, quite independent of any human laws whatever. (ibid, p.186)

Thus Hodgskin was stressing that the subjective valuation we place on goods is largely determined by our perception of the labour that would be necessary to produce the commodity, not that some intrinsic or inherent value was embodied in an item during its production. He might well have been misguided in his assertion that this was how everybody always did and always would continue to value goods, but in his day, the overriding concern of economics with production might well have made this seem reasonable.<sup>257</sup>

In *Labour Defended* Hodgskin acknowledged that the individual's valuation of labour was itself personal, varied according to different forms of labour, and was effectively unknowable;

There is no principle or rule, as far as I know, for dividing the produce of joint labour among the different individuals who concur in production, but the judgment of the individuals themselves; that judgment depending on the value men may set on different species of labour can never be known, nor can any rule be given for its application by any single person. As well might a man say

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<sup>257</sup> It might well be conceived that what was so revolutionary about the marginalist revolution was not so much the concepts of marginalism or subjectivist valuation, which had been around in the early part of the nineteenth century, but rather the change of emphasis from a science concerned with producers and production to one that encompassed the consumer and their consumption needs, particularly in the area of value determination.

what others shall hate or what they shall like. (Hodgskin, 1825, p.24-5)<sup>258</sup>

Thus if Hodgskin had a labour theory of value at all it could be stated in the form that individuals' subjective personal valuations tended to be aligned with the value that they placed on their perception of the labour that would have been necessary to produce the good in question. This is far from being a concrete statement that value is objectively determined or related to the labour necessary for the production of the item of value.

### **Contemporary Notions**

Whether Hodgskin was justified in his assertion that "It never has been doubted that value is a mental conception" is a point that requires at least some preliminary investigation. To this end several passages from contemporary political economy will be presented to review whether this view of value was entertained by other economists.

Perhaps the most significant is from *The Westminster Review's* review of Samuel Bailey's *Dissertation on Value* (1825) from January 1826:

When a commodity is in demand, and has a class of purchasers, at a certain price, it may always be taken for granted, that they would give a little bit more for the commodity, if it could not be obtained at that price. What is the cause of this cheapness? Cost of production, of course. Cost of production instead of being the cause of value, is more properly the reverse; a cause of non-value, a cause of the non-existence of a higher degree of value, which, but for the cost of production, the commodity would have attained.

Demand is the cause of value. There is no puzzle about that; about which, however, our language master [i.e. Bailey] has puzzled himself through several pages. Cost of production, by preventing demand from raising value above its own level, limits and determines value; and, therefore may, with great correctness be denominated the Regulator of value. To call it the Cause, is a

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<sup>258</sup> The sparseness of material by Hodgskin on the subject of value means that we have had to use examples that in some instances look at value directly from a consumers' perspective, whilst other examples, such as this one look at workers in a joint production process valuing their produce within that process. Whilst this might not be ideal it could be argued that within any production process employers and workers are effectively customers of each other. This was a point made by J.B. Clark when he asserted that "The employer becomes virtually, the customer of the workman" (Clark, 1883, p.360).

metaphysical blunder. As well might a tyro in political science think to improve our knowledge by calling the pendulum the cause of the motion in the hands of the clock. The pendulum performs a function to the motion of the hands of the clock, perfectly analogous to that which is performed by the cost of production to the value of commodities. (WR., Jan. 1826, p.168)

Coming as it did within two years of this article the following paragraph from *Popular Political Economy* used some similar terms and concepts and thus it would seem that this passage provided an illustration or rationale of ideas akin to those that lay behind Hodgskin's position.

The natural or necessary price of commodities is only influenced by all those circumstances which make labour more or less productive. It is the prime but not sole regulator of exchangeable value, of money and social price. 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 only in 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. (Hodgskin, 1827a, p.233)

Not that such notions critical of a theory of value based solely on embodied labour were new to the 1820.s. Francis Horner's article in the *Edinburgh Review* that reviewed *Principes d'Economie Politique* (1801) by Nicolas-François Canard (1750-1833) was particularly critical of Canard's "enunciation of the principle ... which assigns the quantity of labour employed on a commodity, as the essential constituent and measure of its exchangeable value". Horner noticed that this idea "which is certainly incorrect" could be found in many texts going as far back as Aristotle's *Ethics* (Horner, *E.R.* Jan. 1803, p.60). Horner later expressed a notion of value in terms not too distance from that of the *Westminster Review's* passage above.

But the proper mode of introducing this principle into the theory of exchangeable value, is, not to state the value of labour as constituting the whole price, or forming an adequate measure of it, but to view it as a condition which limits the eventual supply of each commodity. (Horner, *E.R.* Jan. 1803, p.62)

After Horner's death but before McCulloch's contributions the *Edinburgh Review* still published articles that discussed value as demand determined. *Corn and Money* (Feb. 1816), a review of Robert Wilson's *An Inquiry into the*

*Causes of the High Prices of Corn and Labour* (1815) provided an example of this;

The truth is, that for every article of value, there must always be a demand to a certain extent. If there were no demand, it would have no value whatever. But as both the demand and the supply of all commodities is apt to vary, their value is apt to vary also: (*E.R.*, Feb. 1816, p.148)

Hodgskin and *The Westminster Review* provide examples during the 1820.s of this inclination, which, in the 1830.s, can also be seen in Richard Whately's *Lectures on Political Economy* (1832);

A specimen of that introduction of accidental circumstances which I have been describing, may be found, I think, in the language of a great number of writers, respecting Wealth and Value; who have usually made *Labour* an essential ingredient in their definitions. Now it is true, *it so happens*, by the appointment of Providence, that valuable articles are, in almost all incidents, obtained by Labour; but still, this is an accidental, not an essential circumstance. ... In this, as in many other points in Political-Economy, men are prone to confound *cause* and *effect*. It is not that pearls fetch a high price because men have dived for them; but on the contrary, men dive for them because they fetch a high price. (Whately, 1832, p.253)

### **De Quincey on Value**

By the 1840.s Thomas de Quincey's *Logic of Political Economy* (1844) contained a discussion on value that was to be repeated in wholesale manner by J.S. Mill in his *Principles of Political Economy* (Book III, Ch. 1-3, 1848). Quincey had claimed to "expose the confusion between 'market value' as a fact and 'market value' as a law". His conception contrasted the term value "in popular use" with value "in the *technical* use" (De Quincey, 1844, p.236-7).

Thomas de Quincey referred to subjective valuations as "affirmative value" which he identified as being by antithesis in antagonistic opposition to the "negative value" or "resistance price" as evidenced in the cost of production.

And this effect of affirmative value must always continue to act, even when the ordinary state of affairs shall have been restored ... and after the cost or negative value shall have been reinstalled as the operative price. This primary and latent action of the affirmative value must not be a moment forgotten. In fact, the confusion arising out of this one oversight has been the real cause

why the idea of value has never yet been thoroughly and searchingly investigated. (Quincey, 1844, p.327)

Hence, the cost of production was a limit for (exchangeable) price in one direction, its minimum, but price was unlimited in the other direction, only being bound by the subjective valuations inevitably applied. The negative aspect, being such an incomplete prescription, would, Quincey argued, be secondary to the constraint that operated, figuratively, in both directions.

After much discussion and logical exposition Quincey arrived at his conclusion as to the nature of exchange value, which, in some ways, bore comparison with the 1826 *Westminster Review* article, with regards to the two indispensable factors of exchangeable value. J.S. Mill provided a summary of Quincey's argument on value in his review of Quincey's *Logic of Political Economy* for the *Westminster Review* in June 1845

After what appears to us a most inordinate over-statement of this meta-physical perplexity, he proceeds to state the doctrine, in his opinion a novel one, which resolves it. This doctrine is, that while both usefulness and difficulty of attainment are necessary conditions to the existence of *any* exchange value, the *amount* of the value is determined not by both jointly, but either wholly by one or wholly by the other, according to the nature of the case. (Mill, IV, p.397)

### **John Stuart Mill on de Quincey**

J.S. Mill's review saw Quincey's position on value as valid but not necessarily a novel or new opinion.

It would be difficult, we think, to cite a specimen of exposition on an abstract subject, more transparently clear, and at the same time so scientifically precise. But can Mr. De Quincey be serious in maintaining that the doctrine which this passage embodies is a novel one? Have not all political economists distinguished between articles which can be multiplied to an indefinite extent by labour, and articles naturally or artificially limited to a quantity short of the demand; and have they not all, from Ricardo downwards, affirmed that in the former, and more common case, the value conforms on an average to the cost of production, while in the latter there are no limits to the value except the necessities or desires of the purchaser? (ibid, p.398)

So again we have an exposition which seems to justify Hodgskin's view that a subjectively determined theory of value was conceived of and openly discussed in the early part of the 19<sup>th</sup> century.

Despite this, it was Malthus's complaint against what he saw as the (Ricardian) "New School" that it held to what we might see as a labour theory of value:

We now proceed to consider the main principles which more especially characterize the new school of political economy. These appear to be three,

1. That the quantity of labour worked up in commodities determines their exchangeable value.
2. That the demand and supply have no effect upon prices and values, except in cases of monopoly or for short periods of time.
3. That the difficulty of production on land is the regulator of profits, to the entire exclusion of the cause stated by Adam Smith, namely, the relative abundance and competition of capital. (Malthus, *QR.*, Jan. 1824, p.307-8)

It is interesting to note that Malthus cited J.B. Say, Storch and Garnier, authorities also frequently cited by Hodgskin, for their opposition to the new school's economics.

In the *Westminster Review* of Jan. 1825 J.S. Mill wrote a reply to Malthus's article that directly addressed the points made in this accusation. Mill denied that the latter two propositions were upheld and the first, what we might see as the core of a labour theory of value, was downplayed to an "insignificant dispute":

As for the three propositions which the Reviewer has hit upon, to distinguish the "new school" from that of Adam Smith and Mr. Malthus, the two last, as here stated, never were maintained by them at all: while the first, into which he resolves both the others, and which he holds up as the *most* important of all their doctrines, happens to be the *least* important; and so far is it from being true, as he asserts, "that all the peculiar doctrines of the new system directly and necessarily flow" [p. 332] from this proposition, that not one of their doctrines, nor, so far as we know, of any other doctrines, flows from it at all; it being, in truth, more a question of nomenclature and classification than one from which any important consequences are deduced. Granting, therefore, that the Reviewer has completely demolished these three propositions--two of which, indeed, we freely concede to him--all

the fundamental principles of the "new school" remain untouched.  
(Mill, IV, p.30)

What then is this great question upon which we are to believe that the whole science depends? simply, as we have already observed, a question of nomenclature: the question, whether these facts, about which all are agreed, shall be contained in one expression or another; whether this effect of *time*, and this effect of *fixed capital*, are ultimately resolvable into labour, and are included in the simple expression that value depends upon quantity of labour, or not: a question of pure curiosity, and of no practical use what-ever. Yet this is the question upon which our pseudo-Malthusian pretends *to* believe, that the whole of the peculiar doctrines of the "new school" depend! (ibid, p.32)

Thus Mill recognised that he and other economists also held that demand and supply were the causal factors of value.

They not only allow that demand and supply have *some* influence on value, but they assert that nothing else has any influence whatever, except in as far as it may be calculated to affect either the demand or the supply. When they say that cost of production regulates value, it is only because cost of production is that which regulates supply. If there be two commodities, produced by equal cost, what is the reason that they exchange for one another? The reason is, because if one of the two bore a higher value than the other, when the cost of production is the same, the profits of the two producers would be unequal, and it would be the interest of one of them to withdraw a portion of his capital from his own business and transfer it to that of the other; thus *increasing the supply* of the dearer commodity, diminishing that of the cheaper, until the equality of values is restored: and restored, as the reader will observe, not in contradiction to the principle of demand and supply, but in consequence of it. "It thus appears," says Mr. Mill (Elements of Political Economy, 2nd Ed. pp. 88-9) "that the relative value of commodities, or, in other words, the quantity of one which exchanges for a given quantity of another, depends upon *demand and supply*, in the first instance, but upon cost of production ultimately, and hence, in accurate language, upon cost of production entirely." (ibid, p.33)

Mark Blaug, in *Ricardian Economics* (1958), recognised that Ricardo had been widely conceived as an advocate of a labour theory of value, although such a supposition was not then a consistent unified theory:

In the first half of the nineteenth century critics and disciples alike concurred in regarding Ricardo as an exponent of the labor theory

of value, but the bewildering variety of interpretations suggest no consensus on the meaning of that theory. (Blaug, 1958, p.34)

Blaug summarised Ricardo's chapter on value thus;

So the point of the chapter on value seems to be that, under conditions of perfect competition, relative prices of reproducible commodities tend to be proportional to the relative quantities of embodied labor; in addition, a hypothetical invariable measure may be employed to ascertain the source of changes in exchanges ratios. (ibid, p.35)

The *Westminster Review* and later works by Quincey and Mill in the 1840.s took the labour theory of value as a tool of analysis rather than a natural law (in the sense of a causal fact) of perfectly competitive economic society.

Culpability for the dominance of what might be aligned to that which the *Westminster Review* of 1826 called the *popular* rather than *technical* notion of the labour theory of value, might be laid at McCulloch's feet. For example in his *Memoir of the Life and Writings of David Ricardo* (1825) he made the assertion that may be seen as a causal labour theory of value;

The fundamental principle maintained by Mr. Ricardo in his great work, is, that the exchangeable value, or relative worth, of commodities, as compared with each other, depends exclusively on the *quantities of labour necessarily required to produce them*. (McCulloch, 1825, p.17)

It would seem that along with Hodgskin, Ricardians such as De Quincey and J.S. Mill, did not accept this in quite the same way as it is often understood nowadays, or at least as here expressed, by McCulloch.

In many reviews of Ricardo, this issue, of what McCulloch called the fundamental principle, is not even referred to. This can be seen for example in Quincey's *The Services of Mr. Ricardo to the Science of Political Economy* in the *London Magazine* (March 1824) and John Rooke's *An Inquiry into Mr. Ricardo's Theory of the Laws which Regulate the Value of Corn and Gold* in the *Farmer's Magazine* (May 1820).

Indeed John Rooke concentrated rather on what would nowadays be seen as the marginalist implications of Ricardo's work:

Though this able and distinguished writer has stated his views in a logical and well defined manner, yet, in respect to what regulates the value of corn, they come no nearer the truth, than it must be the last and finite portion of that commodity added to the general stock, which, *in some way or other*, regulates the value of farm produce. (Rooke, 3<sup>rd</sup> April 1820, p.152)

### **De Quincey on Malthus**

Pertinent comments by Quincey on value can also be found in his review of Malthus's *Measure of Value* (1823) in the *London Magazine* (Dec. 1823). Quincey was not shy in attacking Malthus's logic, and noted that his "delusions are not so much logical as economic" (Quincey, *L.M.*, Dec. 1823, p.138):

The question is – what is the measure of value? I say then that the phrase – "measure of value" is an equivocal phrase; and, in Mr. Malthus's use of it, means indifferently that which determines value, in relation to the principium essendi, and that which determines value, in relation to the principium cognoscondi. (ibid)

Quincey recognised that although he needed to "express scholastic phrases" he should also be able "to descend into the arena with no other weapons than plain English can furnish" (ibid, p.139)

Let us therefore translate "*measure of value*" into "*that which determines value*:" and, in this shape, we shall detect the ambiguity of which I complain. For I say, that the word *determines* may be taken subjectively for what determines X in relation to our knowledge, or objectively for what determines X in relation to itself. Thus, if I were to ask – "What determined the length of the racecourse?" and the answer were – "The convenience of the spectators who could not have seen the horses at a greater distance," or "The choice of the subscribers," then it is plain that by the word "determined," I was understood to mean "determined objectively," *i.e.* in relation to the existence of the object; in other words, what *caused* the racecourse to be this length rather than another length: but, if the answer were – "An actual admeasurement," it would be plain that by the word "determined," I had been understood to mean "determined subjectively," *i.e.* in relation to our knowledge, what ascertained it? – Now in the objective sense of the phrase, "determiner of value," the measure of value will mean *the ground of value*: in the subjective sense, it will mean *the criterion of value*. (ibid)

The point that Quincey's was making was that Ricardo used labour as the objective determiner of value or ground of value; but Malthus was less consistent and sometimes also used labour in the subjective sense as the

amount of labour commanded by a good. If Malthus used labour in a different sense to Ricardo then they were not arguing over the same issue.

### **Principium Cognoscondi**

Thus we can relate Hodgskin's labour theory of value to the principium cognoscondi rather than a principium essendi. Thereby, Hodgskin perceived that labour was not the objective ground of value but was rather used as the criterion generally adopted when values were considered or determined.

In conclusion, we can see that whilst Hodgskin undoubtedly saw labour as linked to the issue of value, like many of his contemporaries, (especially Mill and Quincey) it was not always conceived of as the ultimate regulator of value. Whilst the cost of production, whether envisaged as solely labour or a combination of factors, could be equated to the effective long-term minimum value (in the sense of price or cost of production) that would prevail in the *market*, Hodgskin and quite a few of his contemporaries understood that the actual value encapsulated in the market was the result of individual and socialised subjective aspects.

The distinction we must be aware of with regards to early 19<sup>th</sup> century concepts of value, particularly in relation to labour, was whether the notions expressed related to the *popular* or *technical* meanings. The implication is that labour was the ground or foundation of value in the sense that, excepting monopoly, labour was the start of the process from which value was the eventual conclusion. The popular sense although technically incomplete, was deemed sufficient for ordinary purposes such as polemic rationales or basic dissemination (e.g. as in McCulloch and sometimes in Hodgskin's journalistic polemic writings). These popularised examinations were not seen to deny the fuller exposition and understanding in the more technical discussions of value. Nevertheless this popular notion of value may be the leading treatment that has come down to us, for whatever reason, via history.

# Chapter 7

## Price

### Agenda

The purpose of this chapter is to investigate Hodgskin's ideas on the nature and behaviour of prices. In order to do this we look at two aspects that are particularly pertinent to Hodgskin's economics and thereby to the aim of this thesis – an explanation of his concept of economic growth.

- a) **A Scheme of Prices.** We will review Hodgskin's threefold scheme of prices; i.e. natural price, social price and money price. A full appreciation of these manifestations of price is important not only to understand his economics in general, but also the specific differences his terms presented when compared to those of his contemporaries. This is especially important for his use of the term natural price.
- b) **The Behaviour of Natural Prices.** The role played by natural price is crucial within Hodgskin's concept of growth stemming, as it does, from his claim that natural prices inescapably fall over time. This was in direct opposition to the prevalent Ricardian and Malthusian positions of his day which conceived that prices would generally rise over the course of time. Thus secondly we will present an exposition of Hodgskin's argument that natural prices have a long term tendency to fall.

These will thereby form the final scene setting before our final chapter *Growth*, where these principles will be brought together with his thoughts on economic growth, which is the main theme of this thesis.

# Section One

## A Scheme of Prices

Hodgskin's scheme of prices ran throughout his work but was most concisely set out within the ninth chapter of *Popular Political Economy* (1827), aptly entitled *Prices*. Thus we herein draw predominately from this chapter together with reference to other works. Orientation is also offered through Thomas Cooper, who was the only contemporary economist that directly acknowledged Hodgskin's particular scheme of prices, and via other economists from the early 19<sup>th</sup> century, such as Ricardo and Malthus, as well as Robert Torrens' interesting contributions.

As was stated in the introduction to this chapter Hodgskin's representation of prices provided three forms – natural, social and money prices. As such our first task in this section will be to make clear how these three forms were differentiated and how they were distinct when compared to his contemporaries' notions of price. Once this initial demarcation is outlined we concentrate, as Hodgskin did himself in his own chapter on *Prices*, on what he called natural price and ensure that its distinctiveness is fully appreciated.

### **Three categories of Price**

Like many writers on economics in the early nineteenth century Hodgskin's basic category of price was termed natural price. He also used the term money price for prices as they were actually paid in the market. The expression which distinguished his nomenclature was social price.

Social Price. The price that commodities bring when influenced by restrictions, monopolies, taxes, and legislative regulations. ... This is a term used by Thomas Hodgkins [sic] in his *Popular Political Economy*, and I think conveys a useful distinction. (Cooper, 1830, p.40-41)

The usual terminology of this period perceived a theoretical form of price, such as a natural, normal or static price. Compared with this was the price as typically experienced in the reality of actual exchange that varied from the various theoretical forms of price to some degree. Such terms as market, real, nominal or money price were applied to this more dynamic and pragmatic representation of the actual prices usually encountered in the purchase of commodities or services.

Hodgskin had two theoretical forms of price (natural and social) and one form of realised price (money). It thus becomes necessary to align Hodgskin's three terms betwixt the more common two.

As we will discuss, when we examine Hodgskin's natural price in more depth, most economists tended to explain even the theoretical price in some realistic manner rather than holding, as we shall see Hodgskin did, the theoretical price in purely abstract terms; as E.K. Hunt noted in his *History of Economic Thought*;

Hodgskin was absolutely clear about the fact that his "natural price" was a normative concept describing a situation that could obtain only if existing governments and laws, which Hodgskin saw as unnatural, were abolished (Hunt, 2002, p.169).

His social price, although closer to prices as realised in the actual world, was as we will discuss subsequently, still expressed in theoretical terms, i.e. in labour rather than money terms.

As Hodgskin did in his chapter on *Prices*, we first introduce money price, followed by the distinction between social price and natural price before we, as he did, concentrate more fully on the concept and behaviour of natural price.

Initially we make a brief introduction to Adam Smith's terminology regarding prices as a scene setting for both Hodgskin and his contemporaries on this issue. This is not intended as an analysis of Smith's theory of prices, but simply a review of his distinction between natural and market Prices.

## Adam Smith's Prices

Chapter VII of the first book of *The Wealth of Nations*, *Of the natural and market Price of Commodities*, began with Smith's assertion that there were usually "ordinary or average" rates of wages, profits and rents that tended to exist in an economy.

These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail. (Smith, *WN*, p.72)

By natural, at least in this passage, Smith related that which usually occurred rather than, as we shall see when we discuss Hodgskin's natural prices in more detail, the inevitable result of natural conditions. In line with this approach Smith therefore saw natural prices as effectively those that would occur consistent with those customary conditions necessary to bring commodities to a position where they could be sold.

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of land, the wages of labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price. (ibid)

Smith recognised that this natural price, as the costs necessary to bring a good to its market, would not necessarily be that price for which, in reality, it sold.

The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price. (ibid, p.73)

The mechanisms that Smith envisaged for divergence between natural and market prices are not of concern to us here, as we only need at this stage to identify that such differences were recognised. One might sum up Smith's position on this issue by seeing natural prices as those towards which market prices, affected by competition as well as supply and demand, tended towards.

The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose and continuance, they are constantly tending towards it. (ibid, p.75)

There was perhaps inevitable given that the natural price, as described in chapter VII of *The Wealth of Nations*, being linked to the “usual or average” costs of production, would change if market price continued at levels divergent from natural price for a sustained period, as exceptional remunerations became the norm.

David Ricardo noted that although the actual or market price of a commodity might vary with demand, natural prices did not change with such alterations;

Let us suppose that all commodities are at their natural price, and consequently that the profits of capital in all employments are exactly at the same rate ... Suppose now that a change of fashion should increase the demand for silks, and lessen that for woollens; their natural price, the quantity of labour necessary to their production, would continue unaltered, but the market price of silks would rise, and that of woollens would fall; (Ricardo, I, p.90)

Nevertheless it was the mechanism of competition that, for Ricardo, would eventually equalise capitalists' profits and bring the market price into line with the natural price;

It is then the desire, which every capitalist has, of diverting his fund from a less to a more profitable employment, that prevents the market price of commodities from continuing for any length of time much above, or much below their natural price. It is this competition which so adjusts the exchangeable value of commodities, (ibid, p.91)

As has been the subject of numerous commentaries, for Smith prices were effectively the sum of costs of production; an adding up theory of price. This remained the dominant concept until David Ricardo challenged this model of prices, such that prices were no longer conceived of simply as the sum of the component parts.<sup>259</sup> Although Ricardo disputed Smith's position on how prices were determined, Smith's terminology of natural and market prices persisted.

This can also be seen exemplified in Malthus's *Definitions in Political Economy* published the same year as Hodgskin's *Popular Political Economy* (1827). After devoting several chapters to reviewing various economists' definitions and usage of terms Malthus gave his own summary statement of economic terms which included two that covered prices:

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<sup>259</sup> We will return to the issue of an adding up theory of price when we discuss Hodgskin's natural price in more depth.

The Price, the Market Price, or Actual Price of a Commodity at any place and time.

44. The quantity of money for which it exchanges at that place and time, the money referring to the precious metals.

The Natural Price of a commodity at any place and time.

45. The price in money which will pay the elementary costs of its production, or the money conditions of its supply. (Malthus, 1827, p.243-4)

One point of note from Malthus's definitions is his expression of natural prices in money terms, which was quite common in the 1820.s. An exception to this can be found in Robert Torrens' *An Essay on the Production of Wealth* (1821). Torrens was not only critical of this practice, but also laid out what should be meant by price, especially when compared to value:

The term, exchangeable value, expresses the power of purchasing with respect to commodities in general: – the term, price, denotes the same power with respect to some particular commodity, the quantity of which is given. (Torrens, 1821, p.48)

Although the use of the expression *price* without a specific qualification did signify for Torrens price in metallic (i.e. money) terms:

As the precious metals are the things which general consent has rendered the immediate instruments of effecting exchanges, the term, price, when employed singly and without qualification, is understood to imply the sum in the metals, or in the representatives of the metals, which must be given for the article we require. (ibid, p.49-50)

The relevance of Torrens' concept of price will become more evident when we discuss natural prices. Thus having set the scene, at least as far as terminology, we shall now turn to Hodgskin's exposition and modifications, as far as prices were concerned.

### **Hodgskin's Money Price**

It might at first glance appear odd that unlike most writers who started their missives on prices by explaining natural prices, Hodgskin began his chapter on prices by expressing, albeit somewhat curtly, what he envisaged as money price. This was probably due, in part, to the fact that his previous chapter had been concerned specifically with *Money* and thus money price followed on neatly from that. Additionally as he was to devote the bulk of his *Prices* chapter to a consideration of natural prices, it was perhaps convenient to deal initially

with those forms of price – money and social – that he was not, at that stage, to consider at such length as he was natural price.

In his chapter on *Money* Hodgskin had introduced that topic by at first stating that money itself, as simply a tool of trade, was not necessarily an issue that political economy should be overly concerned with;

It [money] is, in fact, only the instrument for carrying on buying and selling, and the consideration of it no more forms part of the science of political economy, than the consideration of ships or steam engines; or of any other instruments employed to facilitate the production and distribution of wealth. (Hodgskin, 1827a, p.178-9)

Money however was worthy of some consideration on three accounts; firstly due to its peculiar position as common currency; secondly as an illustration of natural laws in operation and finally because of the numerous arguments that had persisted amongst economists on the subject.

It is different from all other instruments, in respect to its being used by the whole community; and not being exclusively the property of any individual. It affords also a very instructive proof of the manner in which the general laws of nature operate on the minds of individuals, producing a uniformity of conduct, equal in regularity to any movements of the planets. ... Money has accordingly attracted much learned attention; and the principles which regulate it have been the subject of much debate. (ibid)

Hodgskin's chapter on *Prices* opened with what might be seen as an almost disparaging reference to money price; perhaps borne of his attitude that downplayed money as a concern within economics:

From what has been said on money, the reader will see that the term "money price," as applied to any commodities, only signifies the natural relation which exists at any given moment between them and a specific quantity of bullion in coin, – the use of bank notes, as long as they are payable on demand in precious metals, not altering this relation: (ibid, p.219)

Hence for Hodgskin, money price was simply the nominal amount of money one paid for a good when it was purchased.

## Market Price

Hodgskin did not use the term *Market Price* but referred in the main to *Money Price* although sometimes he also used the term nominal price. However to reduce ambiguities that might otherwise arise (particularly when compared to other economists' terms), especially in our subsequent chapter on *Growth*, it would be expedient to limit our terminology to the expression *Market Price* but be understood to be referring to what Hodgskin termed Money Price.

Consequently there might be little more that needs to be said in this regard, apart from commenting on his observations towards the end of his *Prices* chapter which discussed how market prices varied.

Money, as well as all the commodities of which it measures the value, are subject to variations in their natural price; ... and it is by no means an easy task, as many persons suppose, to detect the real cause of those variations in price which are of daily occurrence. (Hodgskin, 1827a, p.234-5)<sup>260</sup>

For Hodgskin, whatever the causes of variations in price were, long term decreases were only advantageous if they resulted from improved technological conditions, i.e. the production of the commodity in question required less labour.

In no case, however, is a fall of price beneficial, unless it be caused by a diminution of the labour necessary to bring commodities to market. In all other cases the fall can be only temporary, and it takes place at the expense of the producers. (ibid)

Hodgskin also recognised that market prices affected the quantities of commodities that would be consumed. If a commodity's price fell then it was likely that more of those goods were available and hence more could be consumed. If their prices rose, Hodgskin assumed that less would be consumed, and that at the same time producers would be encouraged to increase production.

Variations in prices have very important results. By bringing commodities within, or carrying them out of the reach of a certain number of persons, they regulate consumption. (ibid)

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<sup>260</sup> Presumably when Hodgskin here and subsequently wrote about "price" (unqualified by money, natural or social) he meant it in the purely nominal sense as we have seen Torrens stated that it should be.

This in turn, because market (money) prices were subject to variations caused by changes in demand, provided functional information for society as a whole.

Money price, as determined by the relation of the demand to the supply, “is the nicely poised balance,” says Mr. Buchanan, “with which Nature weighs and distributes to her children their respective shares of her gifts, to prevent waste, and to them last till reproduced.” It is also the index to the wants of society; or it is the finger of Heaven, indicating to all men how they may employ their time and talents most profitably for themselves, and most beneficially for the whole society. (ibid)<sup>261</sup>

Thus market prices could change with consumers’ tastes and fashion (or their ability to fulfil their wishes), as well as the production conditions of the suppliers. From Hodgskin’s perspective although this was a useful and necessary social phenomenon, it was not so useful for analytical purposes where he sought a more steady and consistent indicator of productive conditions, which he found in his concept of natural price.<sup>262</sup>

### **Natural Price**

As we have shown with Malthus, most writers at the time of *Popular Political Economy* (1827) referred to natural price in money terms, as illustrated by David Ricardo;

Its natural price, its money cost of production, would be altered by the altered value of money; and without any increase of demand,

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<sup>261</sup> Presumably Hodgskin was here referring to David Buchanan (1779-1848), who had edited the Edinburgh published editions of *The Wealth of Nations* printed in 1814 and 1817, which contained one complete volume (of four) of Buchanan’s notes on Smith and his *Wealth of Nations*. (Reprinted in Volume II of *Adam Smith: Critical Responses* (2000) edited by Hiroshi Mizuta.)

This passage was also quoted by Jane Marcet in her *Conversations on Political Economy* (Marcet, 1816, p.181). There is no indication (in Hodgskin or Marcet) whether the passage came from his edition of *The Wealth of Nations* or some other work. Although the only other book by Buchanan in the British Museum Library is his 1844 *Inquiry Into The Taxation And Commercial Policy Of Great Britain: With Observations Of The Principles Of Currency, And Of Exchangeable Value*, he may well have published in periodicals.

The less likely alternative was that it is a quote from Robert Buchanan (1785-1873) who was a Professor of Logic at Glasgow University from 1824, although he does not appear to have published any books until 1864.

<sup>262</sup> Harking back to our previous chapter on *Value*, it could be argued that exchangeable value could not be too strictly related to embodied labour if it were to be variable to such a degree as to provide useful information about consumers’ tastes, and producers’ propensities and conditions.

the price of the commodity would be naturally adjusted to that new value. (Ricardo, I, p.383)<sup>263</sup>

Although Robert Torrens had pointed out the inconsistency of such expressions when the qualifier of price used in an expression did not actually relate to that item or good against which the price of a commodity was said to be compared:

Price, then, is the quantity of that particular thing or commodity which is given in order to procure another commodity. ... The qualified terms, corn price, labour price, &c. signify, of course, the quantity of corn or of labour which must be parted with, in order to obtain any given quantity of the commodity we want. (Torrens, 1821, p.49-50)

Thus to be consistent with Torrens the qualified phrase *natural price* would not be expressed nominally in money, but in terms similar to those that Hodgskin did. Torrens equated natural price directly to the cost of production.

The price of things being that which is given in order to procure them, it follows, that there must be two kinds of price: namely, market price, as the term sufficiently denotes, is that which we give in order to obtain any commodity by way of exchange in the market :– natural price, on the contrary, is that which we must give in order to obtain the article we want from the great warehouse of nature, and is the same thing as the cost of production. (ibid)

It was not money that directly obtained commodities from the “great warehouse of nature”. For Torrens (in 1821) it was capital,<sup>264</sup> for Hodgskin it was labour. It was in this context that Hodgskin expressed natural price.<sup>265</sup>

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<sup>263</sup> Nevertheless this did not stop Ricardo asserting that the natural price of commodities equated to "the quantity of labour necessary to their production" (Ricardo, I, p.90). This may have been, as J.S. Mill acknowledged, due to Ricardo's inconsistency in the use of the word "value".

Occasionally, in his writings, he could not avoid using the word as other people use it, to denote value in exchange. But he more frequently employed it in a sense peculiar to himself, to denote cost of production; in other words, the quantity of labour required to produce the article; that being his criterion of cost of production. (Mill, 1844, p.96)

<sup>264</sup> As shown in Torrens' comments that –

natural price, consisting of the cost of production, or in other words, of the capital expended in raising or fabricating commodities, (Torrens, 1821, p.51)

Market price is that which we give in order to obtain a commodity by exchange in the market; natural price is that which we give to effect a purchase at the great warehouse of nature: it consists of the several articles of capital employed in production, (ibid, p.55)

Natural or necessary price means, on the contrary [to money price], the whole quantity of labour nature requires from man, that he may produce any commodity – the natural or necessary prices of money being determined, like that of all other commodities, by the quantity of labour required to produce it. Nature exacted nothing but labour in time past, she demands only labour at present, and she will require merely labour in all future time. Labour was the original, is now and ever will be the only purchase money in dealing with Nature. (Hodgskin, 1827a, p.219)

### **Prime Costs**

For Hodgskin, natural price, being resultant from actual labour in the wide sense that we have previously illustrated he viewed labour, did not contain a component part to account for profits (as unearned income). Thereby Hodgskin's natural price, expressed in labour terms, was independent of changes in the rate of profit.

Profits do not increase the labour necessary to bring a commodity to the market, but they enhance its price to the labourer and its exchangeable value to any person not a capitalist. (Hodgskin, *LP.*, 28<sup>th</sup> May 1820, p.78)

This was contrary to a notion of natural price that encompassed some portion relevant to profits. In terms similar to Adam Smith, Cooper's natural price, had for example, included such profits.

Natural Price ... consists in the cost (if any) of the raw material, the amount paid in wages for the labour expended upon the article, and the usual profit on the capital employed upon it; all reducible to the labour expended upon it before it be fit for market. It is that price which will enable the seller to re-produce the article in the same market, with a reasonable profit. (Cooper, 1830, p.40.)

Nevertheless what Hodgskin had called natural price, i.e. without profits, was recognised by Cooper, but classified as prime costs;

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The constraints imposed on this thesis do not allow for a discussion of the differing perspectives of Torrens and Hodgskin on the prime foundation of production as labour or capital, although our previous chapter *On Labour* should have shown why Hodgskin came down in favour of labour

<sup>265</sup> Although to be true to Torrens' remarks Hodgskin's natural price might better have been entitled labour price. However as Hodgskin's natural and social prices were both denominated in labour terms, his nomenclature was justified to make clear his distinction.

Prime costs will be this natural price, deducting the profit on the capital employed (ibid).

Smith had likewise used the term prime costs as excluding "the profit of the person who is to sell it" (Smith, *WN*, p.73). Cooper's definition of prime costs was more akin to Hodgskin's natural price as it excluded all profit derived from the capital employed in its production.

Robert Torrens had been critical of the inclusion of profits within natural price and saw this as linked to the notion that natural and market prices tended, or gravitated, towards each other.

Those writers, indeed, who contend for the equality of market and natural price, include the customary rate of profit under the term, natural price, or cost of production. But this classification is highly unphilosophical and incorrect. The profits of stock never make any part of the expense of production; they are, on the contrary, a new creation, brought into existence in consequence of this expense. (Torrens, 1821, p.51)

Thus Torrens' natural price equated more closely to Adam Smith's prime cost. Torrens' position highlights a problem that can exist if natural price is directly related to the cost of production rather than the cost of a good as brought to market.

The excess of market price above natural price, or cost of production, is profit; ... and therefore, we cannot assert that the profit of his stock is included in the cost of production, without affirming the gross absurdity, that the excess of value above the expenditure, constitutes a part of expenditure. (ibid, p.52-3)

There could thus be a disparity between the pure cost of production or fabrication, in the sense of the labour, effort or cost in actually creating a good and the cost of production, in the sense of producing a commodity ready to be sold (in the *market*). To some extent this could be envisaged as the difference between the labour embodied in a good and that commanded by the same good.

Ricardo acknowledged that the amount a labourer had to pay for a commodity was never equal to the labour employed in its production;

if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase,

would be equal, and either might accurately measure the variations of other things: but they are not equal: (Ricardo, I, p.14)

Although, not intended to directly address the distinction between labour embodied and labour commanded, but rather to explain the apparent disparity between natural and market prices, as we will illustrate presently, Hodgskin formulated his concept of social price.

### **A Reconstructed Natural Price**

If productivity is represented by the ratio of output to labour, then its reciprocal would be the ratio of labour to output, or as we have previously seen in Hodgskin's terminology – the natural price. Thereby a clear inverse relationship between Hodgskin's natural price and productivity can be conceived that might well help us better understand Hodgskin's ideas on both prices and growth.

### **Social Price**

In *Labour Defended* (1825) Hodgskin had also emphasised that what labourers actually paid for their goods exceeded the natural price:

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; how much it is almost impossible to say, from the manufacture of a coat, a pair of shoes or a loaf of bread being completed by many persons. 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 large quantity to the capitalist. (Hodgskin, 1825, p.22)<sup>266</sup>

In his letter to Francis Place of 28<sup>th</sup> May 1820 Hodgskin had been critical of David Ricardo for what he saw as Ricardo's "want of an accurate distinction between *natural price* and *exchangeable value*."<sup>267</sup>

Natural price is measured by the quantity of labour necessary to produce any commodity: its exchangeable value, or what another

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<sup>266</sup> By real price in this passage Hodgskin was not referring to money price as the price that was actually paid out by the labourer in money, but the labour that would have had to be undertaken by a labourer in order that that labourer would have had the where-with-all to have acquired the relevant commodity. The *real price* in this sense was an expression of labour embodied compared against the labour commanded.

<sup>267</sup> We will use the version of this letter reprinted in the English translation of Élie Halévy's *Thomas Hodgskin* (1956). The page numbers cited are those of this letter contained in this edition. The italics are those within this rendering.

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. ... There is therefore 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 economy. (Hodgskin, *LP.*, 28<sup>th</sup> May 1820, p.74-5)

Hodgskin believed that Ricardo had confused the labour embodied in a commodity, "the quantity of labour necessary to their production" with the labour that can be commanded by a commodity, "the power of purchasing possessed by any one commodity". However, Ricardo obviously recognised such a distinction as he had himself been critical of Adam Smith's work where it appeared "as if these were two equivalent expressions" (Ricardo, I, p.14).<sup>268</sup>

Nevertheless to Hodgskin's mind, a further type of price that included these profits and any other charges on the workers' labour, would clarify the situation. Hodgskin entitled this further class of price, also denominated in terms of labour as social price. This social price can be seen to bear some semblance to an idea of the labour commanded by a commodity, whereas his natural price would be akin to a concept of the labour embodied within a commodity.<sup>269</sup>

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<sup>268</sup> The reason for Hodgskin's understanding might be found in Ricardo's chapter *On Market and Natural Price* where initially exchangeable value is associated with changing market prices:

It is then the desire, which every capitalist has, of diverting his fund from a less to a more profitable employment, that prevents the market price of commodities from continuing for any length of time much above, or much below their natural price. It is this competition which so adjusts the exchangeable value of commodities, (Ricardo, I, p.91)

However, shortly afterwards Ricardo explained that by the "exchangeable value of commodities" he meant natural price rather than the adjusting market price.

In speaking then of the exchangeable value of commodities, or the power of purchasing possessed by any one commodity, I mean always that power which it would possess, if not disturbed by any temporary or accidental cause, and which is its natural price. (ibid, p.92)

One could be tempted to align Ricardo's expression of temporary or accidental disturbances with the issue of exogenous factors.

<sup>269</sup> The alignment of Hodgskin's natural price with labour embodied, with social price being akin to labour commanded, is not a novel perception. For example, Ernesto Screpanti and Stefano Zamagni recognised the link between Hodgskin's natural price

There is another description of price, to which I shall give the name of social, it is natural price enhanced by social regulations. Whatever quantity of labour may be requisite to produce any commodity, the labourer must always, in the present state of society, give a great deal more labour to acquire and possess it than is requisite to buy it from nature. Natural price thus increased to the labourer, is Social Price. (Hodgskin, 1827a, p.220)

However, Hodgskin's immediate concern in *Popular Political Economy* was not with social price but with natural price. He wanted to address what he perceived as the Ricardian theory that asserted the tendency for natural prices to increase with society's progress.

Leaving, however, social price entirely out of view, I shall confine my present remarks to natural price; and I should not have noticed it, were there not a theory now prevalent, which assumes as its basis that natural price necessarily rises in the progress of society. (Hodgskin, 1827a, p.221)

Thus Hodgskin turned his attention, as we shall do in our next section, to the question which amounted to asking, in his terms – If natural prices have a tendency to fall, why was it that market prices and social prices could exhibit a tendency to move in the opposite direction?<sup>270</sup> The relationship between social and market price was such that market price gravitated around social price, but this gravitational focal point could diverge from natural price. Hodgskin's point

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and labour embodied in their *Outline of the History of Economic Thought* (2005), and provided a useful explanation of the difference between natural and social prices.

He [Hodgskin] distinguished the “natural price”, defined as that prevailing in an economy regulated by natural law, and which can be expressed in terms of embodied labour, from the “social price”, defined as the one which prevails in real society. In real capitalist societies workers do not obtain the whole produce of their labour: they can obtain a good only if they provide a quantity of labour which is higher than that required for producing it. They buy commodities at “social” prices while producing them at “natural” values. The “social price” is the production price expressed in terms of labour commanded; and it is true that in a capitalist economy it is always higher than expressed in embodied labour. (Screpanti & Zamagni, 2005, p.141)

<sup>270</sup> Or perhaps one might ask why, if productivity had a tendency to improve, do real (rather than just nominal) market prices display a tendency (if as such they do) to increase? The clumsiness of a notion of real market prices would perhaps lead us to look at the more conventional concept of real wages rather than real market prices. Thereby the question could boil down to, if productivity is improving, how can real wages not also show signs of improvement too?

that natural prices tended to fall also had to be argued against what he saw as the prevalent Ricardian and Malthusian directly opposed position.

I must confess am astonished at the hasty and dogmatic 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. (Hodgskin, 1827a. p.222)

However before we advance to this in our next section we will conclude this one with a short exposition of Hodgskin's ideas similar to a Smithian adding up notion of price that might appear less sophisticated than the Ricardian relative price concept which, in its opposing of wages and profits, was subsequently to become so favoured.

### **An Adding Up Notion of Price**

E.K. Hunt recognised an important distinction between Ricardo and Hodgskin in that Hodgskin did not believe that prices (as paid in the market) were solely determined by the labour embodied in the production of a good, but rather, following Smith, he adhered to an adding up theory of price that effectively saw (exchangeable) value or market price related to what he called social price.

Therefore, unlike Ricardo, Hodgskin did not believe that in contemporary capitalist society the labor embodied in the production of commodities determined their value. Rather, he asserted, following Adam Smith, that prices were determined by the summation of wages, rent, and profits. (Hunt, 2002, p.169)

Hodgskin's chapter on *Prices* did not explicitly lay out his alignment with the adding up theory of price but it is implied by his concept of social price as "natural priced enhanced by social regulations" to include the additional labour required as equivalents for rent and profits. His letter of 28<sup>th</sup> May 1820, without using the term social price, better explained his adding up model of price.

All price is paid by labour. Now Rent is a part of the produce of labour taken by a person who does not labour, and, of course, if the labourer wishes to obtain for his own use a quantity of produce equal to the quantity obtained which he 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 amount of Rent. (Hodgskin, *LP.*, 28<sup>th</sup> May 1820, p.73)

Thereby Hodgskin's natural price was solely the amount of labour necessary to create a good and comprising only one factor was not subject to any adding up of component parts. Hodgskin's natural price was not Smithian in the sense that Smith included rent and profits as components to natural price.

However this natural price, taken as labour embodied, became augmented by the rent extracted by the landlord. This led to the form of price Hodgskin called social price, which represented the labour commanded by the good, when the possessor of that good was enabled with the power to charge a price greater than the labour it embodied. For Hodgskin such power only stemmed from legal enactments such as primogeniture, entailment and monopolies.<sup>271</sup> Economic realities would otherwise have ensured that competitive forces would have limited market prices to reflect the embodied labour.<sup>272</sup>

Although Hodgskin's letter was mainly concerned with rent he recognised that profits would also, if unearned in the same sense that rents were, enhance price and form another part of its sum.

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. (ibid)

Hodgskin recognised that it was in this way that Smith conceived of rents and profits as forming addition factors within the adding up concept of price.

It is in this sense in which A. Smith says rent and profits 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 a commodity from nature, but they enhance its price to the labourer by the whole sum. In proportion

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<sup>271</sup> All such instruments were unnatural or exogenous in the sense that if they would have existed out of economic necessity, or natural laws, then legal laws would have been superfluous.

<sup>272</sup> Hodgskin did not make it clear if he believed that competition would wholly eliminate rent. It was the case that he downplayed rent as relatively inconsequential when compared with the ascendancy of labour to production. He would have had to accept, as he favoured private rather than state or communal ownership of land, that some remuneration was due to the owners of land commensurate with the labour they expended in the service they provided in making land available for production (as opposed to the rent that was simply derived from the monopoly ownership of land resources).

therefore, as Rent and Profits increase, the reward of labour will gradually decrease; the price the labourer must pay for commodities will gradually increase. (ibid, p.73-4)

In his review of Ricardo's collected works (28<sup>th</sup> Nov. 1846) Hodgskin emphasised the perspective which envisaged Smith's natural price as more realistic in actual social terms than Ricardo's and also conceived it in terms of labour necessary to create a commodity:

Mr Ricardo is logically more accurate in ascribing, throughout, according to Smith's doctrine, "of labour paying all price," every variation in price ultimately to variations 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, when he, not other men, not certainly the capitalists and the landlords, had to pay profit and rent, or share that commodity with others. (Hodgskin, *E.*, 28<sup>th</sup> Nov. 1846, p.1557)

If we alter the terms being used we could restate Hodgskin's adding up concept of price as acknowledging that Hodgskin's natural price (Smith's prime cost) was not the result of a summation process. The adding up calculation of price was pertinent rather to Hodgskin's social price (Smith's natural price).

Whilst it might be conceived that one weakness of an adding up theory of price was that it was indeterminate, such indeterminacy was not an issue if one were only seeking to describe price behaviour rather than actually be able to determine or calculate them oneself. Hodgskin quite plainly thought that it was impossible for anyone or any institution to determine prices. His concern was only with description and explanation, not prescription.

### **The Payers of Price**

Hodgskin emphasised that the view taken as to whether price was enhanced by rent and profits depended on the perspective one held of those paying the price. Thereby he was critical of Ricardo.

Mr. R. has involved this part of the subject in considerable confusion by *supposing* the buyers or the community who pay the prices are different from the three great classes, to wit landlord, capitalists and labourers, among whom he divides the produce of

the earth. For all political-economical purposes however it seems right to consider the whole community as composed of these three classes, and, though Adam Smith has not uniformly adhered to this division, yet in all which he says on the subject of Rent and profits increasing prices he evidently supposes the society to be composed of these three classes. (Hodgskin, *LP.*, 28<sup>th</sup> May 1820, p.73)

This distinction between Ricardo and Smith as regarding the distribution amongst different classes was emphasised again in Hodgskin's *Economist* review of Ricardo:

Substituting labourer for labour, in Smith 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. (Hodgskin, *E.*, 28<sup>th</sup> Nov. 1846, p.1557)

Clearly for Hodgskin if one supposed, as he and Ricardo apparently did, that natural prices were reducible to labour, then anything that devalued labour (i.e. necessitated more labour to acquire a good) enhanced its price.

In fact both he [Adam Smith] and Mr. Ricardo make the *real natural price* of all things to be paid by *labour*, and it is therefore self-evident that whatever diminishes the *value* of labour or makes a greater quantity necessary to obtain an equal quantity of any commodity enhances its *price*. (Hodgskin, *LP.*, 28<sup>th</sup> May 1820, p.73)

Thus in very simple terms Hodgskin can be seen to have conceived that if additional labour had to go into producing a good (for economically exogenous reasons) then productivity had been reduced. Thus if productivity worsened the inverse condition, natural price socially enhanced to become social price, had increased. When Hodgskin wrote about the value of labour being diminished he meant that natural price, as paid by labour (the social price), had increased, in the sense that a unit of labour could be equated to a smaller amount of a good or goods in general or put other ways productivity and real wages had fallen.

If we reconstruct Hodgskin's argument using his natural price as the inverse of productivity we might get a clearer idea of his position, but it will also illustrate some of the logomachy present with the use of divergent terminologies.

Hodgskin was effectively claiming that social productivity resulted from the combined effects of labour, rent and profits. Thus if any of the constituent factors increased then productivity must decrease (i.e. natural price, enhanced as social price, must have increased). If rent and profits were reducible to labour then it might, as Hodgskin claimed, be "self-evident" in that if the amount of labour necessary in the production of a good increased, then productivity must have fallen and thereby social price increased.

The Ricardian concept that an increase in profit did not enhance price (or reduce productivity) for Hodgskin amounted to either a claim that profit was not reducible to labour or the price in question was not the inverse of productivity.

Such contradictions could, Hodgskin conceived, only be addressed from a position that separated the payers of price out of society as a whole so that they would be unaffected by changes in productivity. This is presumably what Hodgskin meant when he claimed that Ricardo had been "*supposing* the buyers or the community who pay the prices are different from the three great classes" (Hodgskin, *LP.*, 28<sup>th</sup> May 1820, p.73).

Hodgskin appears to have used the qualification of *real* for natural price when referring to the whole social productive activity rather than one simply isolated good's production. Thus his *real natural price* took into account the labour embodied in the consumption goods utilised by the labourers that facilitated their subsequent creative activity.

if you reflect for one moment on the real natural price of raw produce at present and its real natural price one or two centuries ago, that it is the quantity of labour now and formerly necessary to obtain any commodity from nature. By improvements in agriculture and machinery there can be no question that less labour is required to produce equal quantities of corn in England or any land now under tillage than was required two or three centuries ago. It is not only as machinery and ingenuity have been directly applied to agriculture that the cost of production has been decreased, but as its application in a thousand ways have diminished the cost of production of all those instruments and

commodities which either aid production or are consumed by the labourer while he is employed in the work of production. Thus the improvements which enable men to make ploughs, stockings, cloth cheap, or to bring articles of food cheaper from a foreign country, enable the people engaged in the work of production to produce at a less cost, because what they consume while they are producing costs less. (ibid, p.75)

Hodgskin reiterated this point in his discussion of agricultural prices in *Popular Political Economy*.

It must be remembered, that those who are engaged in agriculture must have clothing, and many other things, as well as food and instruments. If the instruments they use are made by less labour, it is plain that the whole quantity of labour required to produce corn is diminished. It is not, however, so plain, though it is equally true, that if the cost of other necessaries required by the agriculturists is diminished, that also will lessen the cost of producing corn. He must have clothing, and if he can obtain it by sacrificing a tenth, instead of a sixth part of his crops, more remains for his own use, and the labour necessary to procure his subsistence is diminished. If other people did not make the clothing, he must make it himself, and all the facilities he could invent for manufacturing clothing, would enable him to devote more time to manufacturing wheat. It makes no difference, in a general point of view, that clothing is made by a different set of labourers; all their improvements, supplying the manufacturers of corn with clothing at a less cost, leave the latter more corn in return for their labour; or diminish to them, and to society at large, the natural price of that quantity of food required for subsistence. (Hodgskin, 1827a, p.226)

Hence these last passages also partly illustrate Hodgskin's arguments in favour of his affirmation, contrary to the Malthusian and Ricardian assertions, that natural prices, and hence social and market price in general, had a tendency to reduce over time, particularly in what he called *real* terms. Thus, our next section will broaden our coverage of this point in more detail.

## Section Two

# The Behaviour of Natural Prices

### Hodgskin's Criticism of Ricardo

Hodgskin's criticism of Ricardo contained in his chapter on *Prices* dealt with the issue of whether natural prices had a tendency to fall or rise with society's progress and its associated increasing population. Specifically, he was concerned that the possibility of falling natural prices appeared to have been so readily dismissed and that the counter assumption of rising natural prices had become accepted as the natural course of events.

I must confess I am astonished at the hasty and dogmatic 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. I do not suppose that I shall induce the reader to come to a directly opposite conclusion, neither do I mean to enter fully into the question; but I regard the inquiry as of so much importance, that I cannot avoid stating some of those circumstances, which should make us at least hesitate in adopting a conclusion, which seems at variance with the general system of the universe. (Hodgskin, 1827a, p.222)

In support of this reproach Hodgskin quoted from the following passage in Ricardo's *Principles*;

The natural tendency of profits then is to fall; for, in the progress of society and wealth, the additional quantity of food required is obtained by the sacrifice of more and more labour. This tendency, this gravitation as it were of profits, is happily checked at repeated intervals by the improvements in machinery connected with the production of necessaries, as well as by the discoveries in the science of agriculture which enable us to relinquish a portion of labour before required, and therefore to lower the price of the prime necessary of the labourer. (Ricardo, I, p.120)

Hodgskin understood that Ricardo's checks to rising natural price were taken as temporary setbacks rather than permanent reversals of the overall tendency for rising natural prices. Hodgskin's understanding can be justified from various parts of Ricardo's work. Comments by J.S. Mill as we shall see subsequently,

also supported Hodgskin's understanding of what might be called a Ricardian stance, at least as far as food production was concerned.

But when poor lands are taken into cultivation, or when more capital and labour are expended on the old land, with a less return of produce, the effect must be permanent. ... Each man may, and probably will, have a less absolute quantity; but as more labourers are employed in proportion to the whole produce retained by the farmer, the value of a greater proportion of the whole produce will be absorbed by wages ... This will necessarily be rendered permanent by the laws of nature, which have limited the productive powers of the land. (Ricardo, I, p.125-6)

Although, then, it is probable, that under the most favourable circumstances, the power of production is still greater than that of population, it will not long continue so; for the land being limited in quantity, and differing in quality, there will be a decreased rate of production, whilst the power of population continues always the same. (ibid, p.98)

### **Diminishing Returns in Agriculture**

Thus Hodgskin attempted to address what Mark Blaug called "Ricardo's dismissal of the possibility of serious influences arising from improvements in agricultural technique" (Blaug, 1958, p.28). Hodgskin's position was that knowledge-guided labour was the most crucial factor in production and was the major cause of decreasing costs.

The natural difficulty of procuring food, or natural price, depends so almost exclusively on increase of knowledge and division of labour, and consequently on an increase of people, that it seems to have a continual tendency to diminish. In fact, it is admitted that, except as to the production of food, natural and necessary price does fall in the progress of society. (Hodgskin, 1827a, p.223)

To support this statement Hodgskin quoted various passages from *The Wealth of Nations* and concentrated on Adam Smith's acceptance of the tendency for the lowering of natural price.

It is the natural effect of improvement, however, to diminish gradually the price of almost all manufactures. That of the manufacturing workmanship diminishes, perhaps, in all of them without exception. In consequence of better machinery, of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work; and though, in consequence of the

flourishing circumstances of society, the real price of labour should rise very considerably, yet the great diminution of the quantity will generally much more than compensate the greatest rise which can happen in the price. (Smith, *WN*, p.260)<sup>273</sup>

### **Corn as a Manufactured Commodity**

Hodgskin argued that corn was a manufactured commodity and as such subject to the same economies and diminishing costs as other man made goods.

Corn of every kind may be considered as a manufactured commodity, matured certainly by the aid of natural agents, - as what can we mature without them? - but matured by means of a great deal of labour. (Hodgskin, 1827a, p.224)

Nor must we forget that *our grain* is the produce of art and industry; and when once matured or obtained, is a means of lessening the labour of all those who provide the society with food. The same remark holds good of cattle, which once tamed and domesticated, only require that man should provide them with subsistence. Moreover, the mere sowing the seed, and reaping the harvest, are only parts of the complicated process of providing food. The ground must be cleared and tilled, and the grain must be ground and prepared; and to perform these operations, as well as the operations of sowing, and reaping, and carrying home, and housing the grain, numberless instruments and machines are requisite, all of which have been invented and improved, as society advanced, - diminishing to an almost inconceivable degree, the labour necessary to procure meat or make bread (ibid, p.225-6).<sup>274</sup>

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<sup>273</sup> Smith gave the example of carpentry as a possible situation where the raw materials - "barren timber" - might rise in price due to increased difficulty in forestry, resulting from the expansion of other agriculture. But even here he foresaw that other effects "will more than compensate" to maintain a consistent lowering of prices (Smith, *WN*, p.260).

Ricardo also acknowledged that even if raw produce became more difficult to acquire when compared to manufactured goods, the labourers' consumption bundle could be improved:

From manufactured commodities always falling, and raw produce always rising, with the progress of society, such a disproportion in their relative value is at length created, that in rich countries a labourer, by the sacrifice of a very small quantity only of his food, is able to provide liberally for all his other wants. (Ricardo, I, p.97)

<sup>274</sup> Destrutt Tracy's *Treatise on Political Economy* published in English in 1817 had also made a similar claim that agriculture was not a special case of production:

It is then erroneously that they have made agriculture a thing essentially different from all the other branches of human industry, (Tracy, 1817, p.21)

Thus Hodgskin's argument was that corn should not be understood as a commodity whose production was wholly dependent on the soil's fertility. With the progress of society the role played by soil's decreasing innate fertility would become less important. With time, further advances would generally weaken the relationship between the efficiency of production and land's fruitfulness. Hodgskin's position was that the inevitable reduction in costs would affect all industrious production, and that agriculture should be viewed as an industry like any other activity that resulted in the production of commodities by the means of labour and other commodities.<sup>275</sup>

Hodgskin's criticism should be understood in terms of his opposition to the stress placed on the single issue of land's decreasing fertility. He nevertheless accepted that, in reality, progress in agricultural production had not been as effective as that in other industries. This he believed was due to political rather than natural causes.

On this all important question, the political condition of the agriculturist, and the manner in which land is appropriated, have no inconsiderable influence; in consequence of the latter, corn has ever been at a monopoly money-price; in consequence of the former, improvement has been comparatively slow in agriculture. The price of its produce has not, therefore, fallen in the same degree as the price of manufactures, with which alone it could and has been compared. The price of most other manufactured commodities, on the contrary, has not been a monopoly price; and generally speaking, the manufacturers have been in a better political condition than the agriculturists. (Hodgskin, 1827a, p.231)

Knowledge and division of labour have both increased amongst the agriculturists, but not in the same degree as among manufactures. It is only, however, by comparing the price of agricultural produce with the diminished price of manufactures, that any plausibility has been given to the statement of a natural

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A farm is a real manufactory; ... agricultural industry is a branch of manufacturing industry, which has no specific character which separates it from all the other. (ibid, p.23)

<sup>275</sup> Although Hodgskin pointed out that fertility related more to the amount of knowledge of what made land productive rather than some inherent quality; though we are completely ignorant of what constitutes a fertile soil, and that which is fertile when we know how to employ its powers, is barren when we are ignorant of the laws which regulate vegetation; (Hodgskin, 1827a, p.222).

and necessary increase in the difficulties of procuring subsistence.  
(ibid, p.232)

### **Hodgskin's Assertions Addressed**

Without mentioning Hodgskin, Edwin Cannan, in his *Wealth* (1914), noted that once it had become impossible "to ignore the historical increase of returns to agriculture" those in support of the premise of diminishing returns, adopted an amended position. Their solution was to argue that returns were still diminished, in that they would have been higher but for the increasing population. Cannan stated that this was "clearly untrue if applied to the whole history of mankind." (Cannan, 1914, p.54)

But if the doctrine is applied, as [J.S.] Mill seems to have meant to apply it, only to fairly recent times, it does not appear to be possible either to prove or disprove it. Mill coolly assumed that all the improvements which have been made would have been made just the same if the population had not grown. (ibid, p.55)

That this was so can be seen from Mills comments in his *Principles* :

in the case of the most important classes of commodities, food and materials, there is a tendency diametrically opposite to that of which we have been speaking [diminishing cost of production]. The cost of production of these commodities tends to increase.

This is not a property inherent in the commodities themselves. If population were stationary, and the produce of the earth never needed to be augmented in quantity, there would be no cause for a greater cost of production. Mankind would on the contrary, have the full benefit of all improvements in agriculture, or in the arts subsidiary to it, and there would be no difference in this respect between the products of agriculture and those of manufactures. (Mill, III, p.712)

Thus for Mill it was an increasing population that created a condition of higher production costs in agriculture, as necessary to meet the increased demand. This contrasted with Hodgskin's notion that it was the increasing population that created the conditions which resulted in diminishing costs. Although it was apparently recognised that in non-agricultural industries "especially manufacturing industry," an increasing population was beneficial;

it was supposed that division of labour lead to increasing returns when larger quantities of produce were raised by increasing numbers of workers. (Cannan, 1914, p.55)

Cannan perceived that the concerns of economists had been distracted with maintaining the integrity of the existing political economic theories and supporting their theory of profits.

Thus it had to be admitted that an increase of population, while tending to diminish returns from agricultural industry, at the same time tended to increase returns from manufacturing industry, so that a balance had to be struck between the effect of the two tendencies: the returns to all kinds of industry taken together would only diminish when the diminution in agriculture was great enough to outweigh the increase in manufactures. It seems difficult to believe that any one could have supposed that this was ordinarily the case, but the theory of profits already referred to required those who held it to think that a diminution of returns, at any rate in all industry which produces things for the labouring classes, was proved by the historical fall in the rate of interest, and the practice of identifying wages with food which prevailed in the earlier part of the nineteenth century led to the weight of agriculture being grossly overestimated. Consequently it was held that increase of population tended to diminish the returns in all kinds of industry taken as a whole, and the gloomier writers of the time believed that it had actually done so. (ibid, p.56)

The theme that we will expound in our next chapter will be Growth where we will look in more detail at the mechanism of endogenous growth envisaged by Hodgskin. However it is worth noting here that for Hodgskin it was the necessity caused by an increasing population, communicated by initially rising prices, that stimulated the technological changes that in the longer term required less labour for production. This was especially so for those goods most essential for man's survival.

Over natural price, the relation of the demand to supply, which is frequently said to regulate price, seems in the long run to have a tendency to lower it. The ingenuity of man being necessarily first and chiefly directed towards supplying his more urgent wants, the labour employed in supplying necessaries will be most improved. (Hodgskin, 1827a, p.233)

Expressed in different terms this can be seen as seeing productivity tending to improve over time because supply and demand pressures lead to innovations in production for those areas most important to man's needs. Thus as we will see subsequently for Hodgskin it was the increase of population that rather than causing prices to rise, actually provided the stimulus that would lead to long term falling prices;

Thus the increase of people in this country within the last century, by creating a great demand for agricultural produce, has led not merely to extended cultivation, ... but to those improved agricultural process to which I have alluded. The stimulus most generally present ... is the natural but insatiable desire of providing for his wants or bettering his condition. But, were population not to increase, there could be no additional wants to provide for. ... but for the continual increase of people, there would not now be, there never would have been, a stimulus to invention and to the increase of knowledge. (ibid, p.85-6)

### **Falling Prices**

If we construct from Hodgskin's political economy the hypothesis that long-term prices tend to fall, we may then ask how this could be confirmed. In this we are fortunate in that Hodgskin was involved in the instigation of such a method. Whilst at *The Economist* as its economics' editor, numerous price data series were initiated that still continue in index form to this day.

2005 was the 160<sup>th</sup> anniversary of "*The Economist's* commodity-price index" which "is probably the world's oldest regularly published price index" (*The Economist*, 12<sup>th</sup> February 2005, p.76). The conclusion of the article to commemorate this anniversary recognised recent increases, but nonetheless concluded that "in real terms, industrial commodity prices are a mere 30% of their value in 1845." (ibid).<sup>276</sup>

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<sup>276</sup> David Hackett Fischer illustrated that Commodity Prices have generally tended to perform in ways very similar to Wholesale and Producer Prices, and thereby not unrelated to Consumer Prices. (Fischer, 1996, p.181-2).

Fischer also presented the work of Henry Phelps-Brown and Sheila Hopkins on "English "consumer" prices since the year 1264" that illustrated price inflation over this period had been relatively small:

This index shows that market prices of food, drink, fuel and textiles in the south of England have tended to rise for more than seven hundred years, at an average rate of about one percent each year. (ibid, p.3)

Thereby Hodgskin's assertion on falling prices could be presented as accepted that nominal prices had risen at an average annual rate of 1%, but in real terms, as incomes had increased at a rate in excess of this, what he called "real prices" had fallen. Perhaps a more modern economical view might be to conceive that real wages had a tendency to increase in relative terms. Or perhaps in simplistic terms we might summarise Hodgskin's position as claiming that as productivity has improved so significantly over the last 700 years general living standards have also improved over that period, despite the fact that there are now many more people alive.

This is undoubtedly a relatively crude test but it is remarkable in that this result to some extent confirmed the conclusion of Hodgskin who was instrumental in the instigation of this test. Hodgskin nevertheless recognised the difficulties of long-term indexing due to the inherent variability of value:

I am fully aware that we have no accurate standard for former and present values, and that tables of prices, extending over long periods, are not much to be relied upon: but when they confirm a theory, which seems on other grounds to be sanctioned by experience, we are entitled to place some confidence in them. (Hodgskin, 1827a, p.228)

Thus rather than being totally satisfactory as a strictly scientific test we might accept it solely as indicative of the truth of Hodgskin's hypothesis, which as he put it, enables us "to place some confidence" in his concept. In fact it is probably impossible to prove his theory in purely scientific terms, but we may have to be satisfied that his hypothesis could withstand this particular piece of evidence.

# Chapter 8

## Growth

### Introduction

When Hodgskin wrote about human progress and economic growth he did so at a time when the modern economist's tools we today associate with that subject had yet to be formulated. Thus if we are to reconstruct Hodgskin's growth theory we would need to do so using his terms, and understanding the connotations and usage of them within the context of his work as a whole.

That such a reconstruction might be necessary is in part due to the fact that Hodgskin did not leave us a specific piece of work devoted to the subject. Rather the theme of progress and growth persists throughout his writings from his *Travels in the North of Germany* (1820) through to his final articles for the *Brighton Guardian* in the late 1860.s. *Popular Political Economy* (1827) does provide an extensive source of material as pre-eminence was given to the mechanisms of growth, particularly in the first half of that work.

It would be worth again stressing the notion of progress, as we did in *Chapter Two* and then reiterating Hodgskin's view of progress:

You may conceive civilisation as having gradually advanced in the past, but you have not got the idea of Progress until you go on to conceive that it is destined to advance indefinitely in the future. (Bury, 1920. p.7)

the progress of society is one continual stream of improvement, however much at variance with it temporary aberrations may appear to our short-sighted view. (Hodgskin, *BN.*, 12<sup>th</sup> March 1862)

For Hodgskin economic growth fuelled this progress and as such forms the subject matter of this chapter. However not only was economic growth the spur to human progress, but within Hodgskin's scheme that growth was naturally born of man's social existence. Thereby growth was inevitable when man lived, worked and produced in a social context, wherein the conditions of the

theoretical pure market economy prevailed. It is for this reason that we argue that Hodgskin's concept of economic progress was of endogenous growth. Indeed we shall show that the distinction he made with the appellation of Natural was specifically because it was endogenous and that what he designated as unnatural was exogenous. His political anarchism stemmed from his belief that this endogenous *natural* growth was necessary and sufficient as well as superior to any manipulation of man's condition in the form of attempted exogenous (i.e. unnatural) management of economic affairs.

To this end we will reconstruct Hodgskin's notion of growth, in two stages.

- Initially we will consider what conditions he deemed to be the constituent factors, determinants and indicators of growth. This will be the main element of our explanatory reconstruction of his notions on growth.
- Then we will review those further situations that were not endogenous economic growth in the sense that Hodgskin was concerned with.

# Section One

## A Reconstruction of Growth

As we stated in the introduction to this chapter, Hodgskin did not have the economic analytical tools or terms of modern growth theory available to him when he wrote during the 19<sup>th</sup> century. He did, however, use various features as constituent factors, causes and indicators, in his analysis of economic growth, which we will elucidate in this section:

- Constituent factors, - Population, Output, Productivity, Natural price, Market price.
- Causes – Increase in Population, Knowledge (Technology, Human Capital), Communication.
- Indicators of growth – Population figures, Prices, Crime and Marriage statistics.

Before we delve into these in some detail it would be as well to provide an overview of his growth theory.

### Overview

Growth within Hodgskin's economics was a quite specific condition that resulted in changes to two main factors. Firstly, population increased, and as more output was necessary and then provided, prices eventually fell. Thus, economic growth was a condition that resulted in there being more people, and that increased population shared an improved standard of living, as there were more commodities available to be consumed consequent on those consumer goods being more readily available at cheaper prices. Effectively Hodgskin's economic growth should be recognised as comprising an increase in population with an improvement in real wages.<sup>277</sup>

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<sup>277</sup> Although as we shall see Hodgskin did not refer directly to the term *real wages* his reference to market prices (sometimes *real prices*) having fell in effect meant that workers conditions would improve i.e. that real wages would have increased.

During his time at *The Economist*, Hodgskin wrote extensively on the relationship between an increasing population and crime statistics as indicators of economic growth. His basic claim was that as social welfare improved, people would be less likely to resort to nefarious means of acquiring goods and hence crime would decrease.

Our quite concise expression of his ideas obviously needs some unpacking and justification, which in essence is what the remainder of this chapter will do.

Given that the growth that Hodgskin envisaged was endogenous there was what might be seen as a certain amount of circularity in his reasoning as to not only the causes of the growth but also to what features within an economic society actually changed as a result of that growth. Thus a population's enlargement was a cause of growth because its positive impact on the economy would eventually lead to a further increase in that economy's population as incomes improved.

Likewise improved productivity and increased output would in due course be followed by positive changes to both productivity and output. It was in this sense that Hodgskin's growth can be seen as endogenous as advances to population and productivity followed on internally within the hypothetical pure market economy and were not caused by external factors such as government intervention or planning.

### **Part One – Constituent factors**

When discussing the constituents of growth we are referring to those factors that are envisaged as having undergone the changes that were effectively, in a combined sense, economic growth. These being: population, output, productivity, natural price and market price.

#### **Population**

For Hodgskin the study of political economy was inseparable from the issue of population:

Thus an inquiry into the laws which regulate the production of wealth, is an inquiry into the laws which regulate the increase or the decrease of the people, and by their increase or decrease we judge of national prosperity. (Hodgskin, 1827a, p.33)

Population needs to be understood as one of the economic features that had a dual position within Hodgskin's scheme of endogenous economic growth. Firstly the size of a population was a factor that underwent change as a result of economic progress, but secondly the increase of population was also conceived of as a cause of further economic growth.

Thus when Hodgskin wrote on the use of machinery he made the link between what was for him effectively economic growth and a subsequent increase in population;

By their use, food and clothing are obtained with less labour; and the whole quantity of labour not being diminished, more food and clothing may be produced. If there be more food and clothing there will also be more people, increased demand, or extended markets, and further division of labour. (ibid, p.128-9)

### **Output**

If a population increased in numbers but its mode and level of production remained unchanged, the result would be a reduced amount of produced goods per citizen. This would create a less than satisfactory position for the majority of that population.

Hodgskin recognised that if there were more people demanding goods but the same amount of goods then the market prices of those goods would increase. These rising prices were the information that provided the producers with the message that they could increase their production to meet the new increased levels of demand.

Thus in the initial stage population rose as a result of increased output but was not the cause of an immediate increase in subsequent output. As such market prices would increase, given effective demand, to indicate to the producers those goods that it was necessary (i.e. more profitable) to produce in greater numbers. These improved prices encouraged the producers to increase their production activity and thereby output increased. As the level of output increased competition and demand put pressure on prices to fall. Hodgskin's contention can be seen illustrated in his comments regarding corn prices falling following the impact of an increase of population and improved modes of production being felt.

Such an increase is the immediate stimulus to his exertions, and the cause of an increase in his ingenuity; which, in the long run, tends invariably to supply us with agricultural produce by less labour, and thus to lower price. (Hodgskin, 1827a, p.234)

Such a scenario could take place without any changes in the mode of production only as long as there were no limits to the availability of raw materials or other factors of production.

### **Productivity**

However, it might be unwise to assume that the raw materials of production would be continually available in the same degree when there was the need to produce an increased level of output. If we consider a good for which one or all of its constituent raw materials were limited, but for which an increased production level was necessitated, then another mode of production would be required that would facilitate an increased output.<sup>278</sup> This might initially require more labour in its production but with subsequent improvements in technology, eventually less labour would be needed.

Over natural price, the relation of the demand to the supply, which is frequently said to regulate price, seems in the long run to have a tendency to lower it. The ingenuity of man being necessarily first and chiefly directed towards supplying his more urgent wants, the labour employed in supplying necessaries will be most improved. (Hodgskin, 1827a, p.233)

Effectively more output would be produced by relatively less labour – i.e. productivity levels would have increased, and its inverse, what Hodgskin labelled natural price, would have fallen.

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<sup>278</sup> Hodgskin seemed to have assumed that all goods could be produced in greater numbers if the need arose. Presumably Hodgskin was able to recognise that there were certain goods that could not be produced in additional amounts due to the rarity of raw materials or talents required for production. Thus Hodgskin, like Ricardo, would have been concerned with those goods which could be increased without effective limit, and have dismissed those whose production was finite as relatively insignificant.

These commodities, however, form a very small part of the mass of commodities daily exchanged in the market. By far the greatest part of those goods which are the objects of desire, are procured by labour; and may be multiplied, not in one country alone, but in many, almost without any assignable limit, if we are disposed to bestow the labour necessary to obtain them. (Ricardo, I, p.12)

The limitation of resources was not the only incentive to improve productivity. Competitive pressures could also spur the productivity advances that gave a producer a temporary advantage over their opponents or cancelled out advantages held by others. The simple desire to improve profits, to merely wish to work less hard, or to have more leisure, also give rise to enhancements in productivity.

### **Natural Price**

Our previous chapter detailed Hodgskin's concept of natural price hence we will here concentrate on natural price's role within Hodgskin's scheme of growth.

The opinion that the natural price of food lessens rather than increases in the progress of society, seems borne out by facts. (Hodgskin, 1827a, p.226)

If, as we previously construed, productivity is represented by the ratio of output to labour, then its reciprocal would be the ratio of labour to output, or in Hodgskin's terminology – the natural price. Thereby as productivity increased or improved the natural price must necessarily fall.

Hodgskin, as we have seen, argued that natural price had a tendency to fall over time as output was increased, as he saw it, in direct conflict with the then common view that productivity tended to fall as more output was required.<sup>279</sup>

a theory now prevalent, which assumes as its basis that natural price necessarily rises in the progress of society. (ibid, p.221)

In the short term, Hodgskin did not deny that natural prices might increase as the initial consequence of an augmented population necessitated an increased level of output to sustain it. However, the extra costs incurred as natural price increased were the stimulus to the creativity that improved man's productivity thus lowering, in the longer term, natural prices. Effectively, from Hodgskin's perception, the increased difficulties in producing greater output were just the prelude to technological advancements that would have enduring effects by diminishing natural price.

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<sup>279</sup> Charles Babbage in his *On the Economy of Machinery and Manufactures* (1832), in his chapter *Of Prices* noted that prices had appeared to have been falling and that this fact was generally not acknowledged by theoretical economists:

Political economists have been reproached with too small use of facts, and too large an employment of theory. (Babbage, 1832, p.156)

Hodgskin also pointed out that if modern man was actually less productive than his forebears it would reflect a perverse view of man's social progress. In his review of George Rickards' *Population and Capital* (1854) Hodgskin noted the waning adherence to this particular Ricardian proposition and the general anti-Malthusian temperament of early Victorian Britain.<sup>280</sup> We reproduce a lengthy section of this review as it also illustrated Hodgskin's perspective on the development of his opponents' doctrines.

The whole of his observation on "Population," on Mr. Malthus's doctrines, and the Ricardo theory of rent, constituting nine-tenths of his book, are a refutation of errors once very widely spread, adopted, as we see in the case of Lord Jeffrey, by the leading minds of society, embodied in legislation, and believed by many persons with a fervour quite religious. Mr. Rickards shares what we may now call the popular doctrine, and is anti-Malthusian. He is, of course, equally opposed to Ricardo's doctrine of rent which grew from the Malthusian population doctrine, and was based on the opinion that labour became less productive as society advanced, and that civilised man was a less efficient instrument of production than the savage. Singularly enough, the whole of the Malthusian theory of population and the Ricardo theory of rent were founded on the condition of the United States and of England, both which countries are striking examples of wealth increasing faster than population. (Hodgskin, *E.*, 18<sup>th</sup> Nov. 1854, p.1269)

Thus Hodgskin maintained his confidence, that he accused Malthus and Ricardo of having lacked, that necessity was the stimulus to improvements in productivity. He perceived that his position was supported by man's apparent progress.

Not that we deny, or any body can deny, that the limitation to the progress of population is the means of subsistence, and that the continual pressure of the active principle on this barrier to progress is always the means of making manifest all the evils of society, and of exciting exertion to lessen or remove them; but to go with Mr Malthus and Mr Ricardo a step further, and say that the barrier is ever becoming more formidable and the progress is always in a diminishing ratio, is flatly and emphatically contradicted by the history of society all over the world, and especially in England and the United States. (ibid)

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<sup>280</sup> George K. Rickards was the recently appointed Chair of Political Economy at Oxford University.

Thus Hodgskin justified his confidence in what he saw as the evidence of progressive growth in the United States and England.

### **Market price**

As we have seen above and in our previous chapter for Hodgskin exchangeable value or the money actually paid for goods must also diminish, in real terms, if the benefits of economic growth were actually to be felt by the populace as a whole.<sup>281</sup> In a later section of this chapter we will consider the situation where market price does not fall even when natural price had declined, but here we shall illustrate Hodgskin's conviction that in the long term market price will effectively follow the same trend that natural price did, and fall.

Hodgskin's chapter on *Prices* took Adam Smith's figures for the price of wheat since 1202 at Windsor and extended them to 1823 in order to illustrate his premise that over this period money (i.e. market) prices, as well as natural prices, had fallen in real or relative terms, apart from the period of the Napoleonic wars.

The average price of wheat in the thirteenth century, was higher than the average price at any other subsequent period, except for the period between 1792 and the present time; and for the extraordinary rise of price during this latter period, from which alone Mr Ricardo and his disciples appear to have formed their opinion, it is easy to account without having recourse to the supposition that the difficulty of obtaining food naturally and necessarily increases in the progress of society. ... It is plain from the table, and from the price at which, but for social regulations, wheat would now be sold in our markets ... that the price of wheat has a natural tendency to fall, rather than rise in the progress of society. (Hodgskin, 1827a, p.230)

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<sup>281</sup> By the use of the expression "real terms" applicable to money prices Hodgskin meant to counter-distinguish them to money prices in simply nominal terms. Hodgskin's real money prices thereby equate to the more modern expression of real or relative market prices. That such a clarification is necessary results from the inexactitude of Hodgskin terminology where he used the term *money price* as the price paid in the market, and his use of the expression *real* for *relative*. In general the relativity of his money or market price related to the amount of labour expended as a proportion of the labourers' whole working effort, or pertinent to their overall income.

Another mode that might bring better comprehension of Hodgskin's concept would be to understand his discussion of falling market or money prices as equivalent to an expression of a rise in real wages.

Hodgskin also related the current international market prices of grain to population densities statistics:

This view is confirmed also, I think, by what we know of other countries. In the returns, for example, recently made by his Majesty's consuls abroad, which have been printed by order of the House of Commons, it is stated that the price of grain was higher in 1825, and generally is higher in Spain and Portugal, than in France, in England, and in Holland, and higher in France than in Holland. In Spain the number of inhabitants to each square mile is 55, in Portugal 90, while in France the number is 143, and in Holland 212. Spain and Portugal, therefore, are less densely peopled than France and France is not so crowded as Holland. As it is well known that these returns coincide with the general state of the market in these countries, we have in them a corroborative proof, that the price of grain does not naturally and necessarily rise as a people are multiplied. (ibid, p.231)

Hodgskin (and others such as J.S. Mill and Quincey) conceived natural price as the minimum (floor) that money or market price could be limited to. Supply and demand issues could cause variations away from this base, if demand was such as to put upwards pressure on this minimum. The implication being that competitive forces would tend to force money or market price down towards a minimal level, which if conceived of as a decreasing natural price, would likewise be lessening.

Over natural price, the relation of demand to the supply, which is frequently said to regulate price, seems in the long run to have a tendency to lower it. (ibid, p.233)

Over money or nominal price, the relation of the demand to the supply has a very powerful but varying influence, ... Money, as well as all the commodities of which it measures the value, are subject to variations in their natural price; and most commodities, including money, are unequally affected by social regulations. The money price of all commodities is consequently influenced by numerous circumstances; and it is by no means an easy task, as many people suppose, to detect the real cause of those variations in price which are of daily occurrence. (ibid, p.234-5)

Those situations where money and natural prices moved in opposing directions, i.e. when market price rose despite falling natural prices will be discussed in a later section of this chapter.

That the direction of changes to market price coincided with that of natural price was a conceptual notion held by Hodgskin that related to his faith in an unfettered economy's power to eventually overcome exogenous short-term deviations from the conditions of the hypothetical pure market economy. Thus if market prices were held in abatement so that their changes did not follow the same path as natural prices, it was inevitable that in the long run the situation would rectify itself so that the natural condition would again come to dominate.

A point worthy of note from Fischer's *The Great Wave; Price Revolutions and the Rhythm of History* (1996) with regards to Hodgskin is what Fischer referred to as the "equilibrium of the Victorian Era":

It coincided almost exactly with the life of Queen Victoria herself (1819-1901), and was closely linked to the cultural values that she represented. Its character was most clearly evident in Great Britain. Prices in that nation fell sharply from 1813 to the early 1820s, then fluctuated within a fixed range for more than fifty years. They fell again during the depression of 1873, and stabilized once more until nearly the end of the nineteenth century. There was no sustained inflation from 1820 to 1896. (Fischer, 1996, p.156)<sup>282</sup>

Hence the period during which Hodgskin wrote was without any significant rises in nominal market prices. It has been questioned whether there were actually any improvements to living standards during this period, which amounts to questioning whether real wage rose during this period.

Peter Kirby's paper *The Standard of Living Debate and the Industrial Revolution* (1997) pointed out the difficulties inherent in trying to ascertain an accurate picture of living standards during the 19<sup>th</sup> century, and the differences of opinion on the issue. Nevertheless he concluded that;

Most historians now agree that real wages remained steady over the period 1750 to 1815-20, but rose substantially up to 1850. Much of this increase resulted from falling prices, rather than rising wages. (Kirby, 1997, p.3)

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<sup>282</sup> Thus as Ricardo's notions of price have been criticised as being overly influenced by the economic conditions during the period leading up to the time he wrote, Hodgskin's optimism might be open to criticism for being partly the consequence of the economic history of the era during which he wrote his works.

Hodgskin did not have the benefit of an historical perspective over this period but as we shall subsequently see, investigated the issue in depth whilst writing for the *Economist*. Kirby's view that the improvements in real wages resulted from falling prices rather than increased nominal wages might go some way to explain Hodgskin's perspective that concentrated on prices rather than the real wages that that might nowadays gain attention.

## **Part Two – Causes of Growth**

By the causes we are referring to those forces that actively resulted in the constituent factors undergoing the changes that we have identified as growth. These being population, knowledge (as evidenced by technology) or what might be called human capital, as well as human communication.

### **Increasing Population**

Hodgskin, like some of his contemporaries, saw a nation's wealth bound to its population size. Although for Hodgskin it was not so much that a nation's wealth was its population, but that the increase of population was the stimulus to improving wealth, i.e. economic growth.<sup>283</sup>

Should I hereafter satisfy the reader that the increase of population is the chief *natural* circumstance which promotes the increase of knowledge, and which extends division of labour; thus augmenting productive power, not merely in the simple ratio of the increase in the number of labourers, but in the compound ratio of this increase multiplied by the effects of knowledge, and division of labour, whatever they may be, he will then perceive, that every improvement, which, like the introduction of potatoes into husbandry, augments the means of subsistence, is a cause, by increasing the number of people, of multiplying to an astonishing

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<sup>283</sup> It was not the absolute population of an economy that was significant, the density of its population was crucial as a densely peopled society was envisaged by Hodgskin as tending to have larger rates of increase than sparsely spread populations.

In a manner similar to that we discussed regarding the difference between the source and the cause of wealth, it could be expressed that the size of the populace was the source of growth whereas the increase of the population was the cause.

The issue of population density had been recognised well before Hodgskin by such writers as Petty and Martyn;

Population was also a factor considered by William Petty (1623–87) and Henry Martyn both of whom stressed the importance of a high population density in facilitating trade and cooperation by reducing transport and communications costs of various kinds. (Prendergast, 2009, p.2)

degree the productive power of our species. (Hodgskin, 1827a, p.59n)

It had often been the view, particularly in the 18<sup>th</sup> century, that the wealth of a nation was the size of its population. Keith Tribe in *Continental Political Economy from the Physiocrats to the Marginal Revolution* recognised that the Physiocrats had tended to forward the view that population resulted from wealth rather than it being its cause.

Quesnay persuaded Mirabeau that a large population was not the cause, but the effect, of wealth, and that the proper object of analysis was therefore not population, but wealth. (Tribe, 2003, p.159)

Hodgskin differed with both the views that a nation's wealth was its population as well as that which saw the population as the result of its wealth. Hodgskin quite clearly equated a nation's increasing population causally to its wealth.

As was not unusual at the beginning of the 19<sup>th</sup> century, following Malthus's famous *Essay on Population* (1803), the issue of population and the ramifications of its rate of increase were of major concern within Hodgskin's writings particularly his economic work. On one side of the debate was the anti-Malthusian position that an increasing population could be accommodated because of man's perfectibility, i.e. social progress was possible. The Malthusian stance was that man's population and progress would be bound within certain parameters because of limited physical resources.

Hodgskin saw himself in the anti-Malthusian camp. This can be seen in his efforts, in January 1820, to publish an article in the *Edinburgh Review*, to coincide with Godwin's belated reply to Malthus. Halévy explained that as the *Edinburgh Review* was a Whig paper, Hodgskin was doomed to failure and all that remains of these early efforts are letters to Francis Place (Jan. 20<sup>th</sup> and May 30<sup>th</sup> 1820) discussing his frustrations and his hopes that Place would forward his paper to Godwin (Halévy, 1956, p.59-60). The later of these letters contained a summary of Hodgskin's intended article (*On the Moral influence of the Increase in the number of Mankind*) which was reproduced in full in Halévy's book (ibid, p.60-62).

This summary contained what can be seen as displaying “in a short and succinct form, all Hodgskin’s anti-Malthusianism” (Halévy, 1956, p.60). It also provided an early example of his concern with Malthus’s logical inconsistencies, for example he noted that:

Mr. Malthus admits that as population has increased in Britain, for example, famine, pestilence, and all the evils which he says thin a population have become less. (Hodgskin, *LP.*, 30<sup>th</sup> May 1820, p.61)

Thus if population increases represented the “constant tendency to increase beyond the means of subsistence” (Malthus, 1803, p.3) how was it that what Malthus saw as the positive checks to population growth actually appeared to be lessening?

Hodgskin’s final point in his summary contained what can be seen as a statement of his view on population’s influence upon economic growth that was to colour his subsequent writings on the subject.

Conclusion. An increase of population promotes industry, ingenuity, and knowledge, consequently also the means of producing food. The power of the populating principle may therefore be looked on as the great stimulus to exertion and as the great means of promoting the happiness of the individual and of the Species, (ibid, p.62)

This was to be a theme repeated throughout his writings in the succeeding decades:

As mankind has multiplied, and as time has flowed on, knowledge has been extended, and the arts improved. Agriculture sharing the general fate, has also been improved, and is continually improving; so that a less and less quantity of land gradually suffices for the maintenance of individuals. The same process, then, after the introduction of agriculture, goes on as before, and the same principle is found continually to operate, it being dependant on the increase of mankind. (Hodgskin, 1832, p.66)<sup>284</sup>

As mouths, which means wants, are multiplied, so are hands, talents, and powers, and exactly in that proportion facilities for extending division of labour and easily supplying the wants of all. (Hodgskin, 1842, p.11)

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<sup>284</sup> Hodgskin’s use of the term *dependant* was correct for his time: as dependant was defined as “in the power of another” whereas dependent was “hanging down” (Walker’s, 1861, p.142).

as men have been multiplied, industry has become productive in the compound ratio of their numbers and their skill. (Hodgskin, *E.*, 18<sup>th</sup> Nov. 1854, p.1269)

The increase in necessary knowledge, we may be sure, then, is provided for by the increase of population as certainly as the beginning of all necessary knowledge. (Hodgskin, *BG.*, 22<sup>nd</sup> Jan. 1862, p.2)

Thus from 1820 through to the 1860.s we have Hodgskin's repeated assertion that an increasing population of necessity increases in knowledge and technical ability, as a direct consequence of that proliferation of humanity.

An article from *The Economist* entitled *Population in France* (25<sup>th</sup> April 1857), not known as one of Hodgskin's but loaded at least with his influence, interestingly illustrated both the perceived linkage between population increases and prosperity, as well as J.S. Mill's evident dissent from such a view.

By ourselves and others who recognise the fact of the slow increase of the population it was argued against Mr Mill, that the continued increase in population was the real test of national prosperity; and that the presumed increase of capital occasioned by an increase of thrift and not followed by an increase of population was a worthless delusion. Wherever the population continues to increase, there a comparative abundance and an increasing quantity of food must be in existence; and a great improvement must take place in the condition of many, wherever there is a continual increase in the number of all. Unless there be such an increase, there is no proof of progress; and where there is no progress there is no prosperity. Mr Mill's approval of population being reduced by thrift to the stationary condition, to which it was obviously doomed by the want of freedom, found no favour with the liberal public here, then much taken up with the advantages of free trade; (*The Economist*, 25<sup>th</sup> April 1857, p.447)<sup>285</sup>

Nevertheless a review of Richard Jones' *Literary Remains* (1859) published a little while after Hodgskin's departure from *The Economist* presented a far more favourable take on Malthus's theory and also showed the extent to which

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<sup>285</sup> According to Halévy and Stack, Hodgskin's last known contribution to *The Economist* was the very week after this article, on 2<sup>nd</sup> May 1857 (Halévy, 1956, p.188 and Stack, 1998, p.223). The style and use of words, as well as its subject matter and views expressed within this article suggest to us that although previously unrecognised as such, this article, in all probability, was written by Thomas Hodgskin although with the passing of time this is beyond absolute proof and must remain conjecture.

Hodgskin's influence had waned in the short intermittent period of just two years.

First, in regard to subsistence, it is necessary to bear in mind a point wholly neglected by Mr Jones, that, except in a very early stage of cultivation, land will not – capital and knowledge remaining stationary – yield double produce to double labour. If therefore, the population increase more rapidly than the growth of knowledge and of capital enables the directors of labour to increase its effectiveness, it is clear that its means of subsistence will be diminished. (*The Economist*, 18<sup>th</sup> June 1859, p.676.)<sup>286</sup>

Hodgskin's view was far more dynamic than this later static view in *The Economist*. Hodgskin would probably not have argued against the recognition that without changes to knowledge, technology, and other means of production, increased amounts of direct labour would not produce directly proportionate increases of output.<sup>287</sup> The dynamics of Hodgskin's vision was that an increase of population would necessarily lead to a change of the circumstances of production as knowledge and technology would inevitably change. If the population was not static, mankind's level of knowledge could not remain unaffected. A dynamic population gave rise to dynamic changes in knowledge and hence technology.

As he drew the *Conclusion* to his *Popular Political Economy* towards its end he had reiterated the distinctiveness of his positive attitude.

I have taken a different view from theirs, and cannot help believing that we shall always find in the increase of knowledge and extended division of labour, – the natural and necessary consequences of an increase of population, – a compensation, or even more than a compensation, for the decreasing fertility in soils, which is said by Political Economists and Statesmen, to add to the difficulty of procuring subsistence as mankind multiply. (Hodgskin, 1827a, p.267)

## **Knowledge**

In *The Wealth of Nations* there are numberless scattered remarks, which show that Dr. Smith was aware of the influence of

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<sup>286</sup> From the emphasis this article placed on the importance of capital its author can be quite plainly distanced from Hodgskin's position that envisage knowledge guided labour as the over-riding consideration.

<sup>287</sup> The banality of such a statement is perhaps akin to claiming that two men with one hammer cannot bang in twice as many nails as one man with one hammer.

knowledge in adding to productive power; yet he has not dedicated any part of his book expressly to this subject. (Hodgskin, 1827a, p.53)

Thus consequent upon Smith's perceived omission much of *Popular Political Economy* was devoted to the issues relating to the acquisition and application of knowledge in production. Of particular import to our reconstruction of his theory of growth was Chapter II – *Influence of Observation and Knowledge*. Here Hodgskin expressed an almost mechanical link between the growth of population and improvements to knowledge, that lead to improved productivity and increased output in turn resulting in increased population; which accentuates the endogenous nature of his growth theory.

He began with a statement of the clear importance of observation and knowledge to man's survival:

It is obvious, that till some knowledge has been obtained of the laws which govern the material world, it must be difficult to preserve existence, and impossible to augment wealth. Men must have observed the habitudes of plants, and the qualities of different soils, before they could successfully have cultivated the ground. (ibid, p.54)

He also quickly established the relationship between improved knowledge and the subsequent need to employ less labour in producing goods.

To say nothing of those improved means invented within the last fifty years, for procuring, smelting, and forging iron: the results of our progress in chemical knowledge, which have diminished to a great extent the labour necessary to make all agricultural instruments, of which iron is one of the materials; ... that improvements in arts, apparently the most remote from each other, tend materially to lighten labour in both: (ibid, p.56)

Thereby Hodgskin conceived that technological improvements instigated by superior knowledge lowered natural price.

The source of better knowledge lay, for Hodgskin, in sustained observation and experimentation rather than chance inventions or inspirations. As such he was critical of what he saw as J.B. Say's over-emphasis on apparently accidental

discoveries, when discussing the impact of changes to the method of fallowing in agriculture;<sup>288</sup>

M. Say is wrong, perhaps, in ascribing this improvement to a chance conception. It was the result of continued observation; and its advantages had to be shown by repeated experiments before it was adopted (ibid, p.57)<sup>289</sup>

Thus Hodgskin pointed out that the use of foreign sourced plants was likewise the result of observation rather than a simple piece of “good-luck” or inspiration.<sup>290</sup>

Before any person could think of removing a root like the potatoe, from one country to another ... he must have known, or conjectured from what he had previously learned, that the root, or the seed, would keep so long as to permit its transport: and he must have ascertained some of its properties, and have formed hopes from similarity of climate or soil, that it would flourish in his own country; and he must have been aware of some utility or agreeableness in adding a foreign vegetable to the thousands that teem from almost every soil, before the thought of importing it from a remote corner of the globe could have been rationally entertained. (ibid, p.61)

This chapter contained many such examples of how changes in technology, inventions and general improvements to knowledge derived from observation and the understanding made by the populace. His next chapter sought the *Natural Laws which Regulate the Progress of Society in Knowledge*.

Here Hodgskin started by stressing that knowledge and inventions paved the way for the further division of labour rather than being its result, as he claimed “Dr. Smith and his followers” had apparently proposed.

Inventions always precede division of labour, and extend it, both by introducing new arts and by making commodities at a less cost. (ibid, p.80)<sup>291</sup>

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<sup>288</sup> Hodgskin thereby explained the improved levels of knowledge endogenously rather than Say’s exogenous explanation.

<sup>289</sup> Hodgskin cited a passage of Say’s from his *Notes to Storch’s Cours d’Economie*, Vol. i. p.167.

<sup>290</sup> It would appear that the notion that ideas and inventions often get used for purposes other than those they were originally intended for, was not attended to by Hodgskin. Nevertheless it might be argued that it was only by their use and observation of their uses that additional innovative uses could be envisaged. Thus if there was a larger population there could be more observation and hence more uses discovered.

Knowledge also increased over time not only as the size of the population increased, but also as it learnt from and added to the understanding of previous generations;

One generation is wiser and possesses more knowledge than the generation which preceded it. This is not merely from being later in the world. Time is a mere personification, and adds nothing to wisdom. The last generation is wiser than the generation which preceded it, because it adds, where language is in use, and particularly where writing and printing are known, all its *own* observations to the knowledge of the generation which went before. There are *more* eyes to see, *more* hands to practise, and *more* minds to treasure up and record observations and practices, *As the world grows older, and as men increase and multiply, there*

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<sup>291</sup> Hodgskin's claim was that in Adam Smith's position the division of labour lead to technological developments. Hodgskin's own view, that the division of labour followed on from technological advancement, can be seen in such passages as:

I shall only observe, therefore, that the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simply object. (Smith, *WN.*, I.i.9)

Whilst Hodgskin to some extent accepted Smith's observations, he thought that some of his subsequent statements were inconsistent with "Smith's own principles" :-

The question at issue between Dr. Smith and his followers and myself, is, whether a knowledge of the material world, and inventions in the arts, including the invention of machines, are, or are not, originally owing to the division of labour. I maintain they are not. I admit, that a progress in knowledge, and division of labour, mutually promote each other ; that observation, introducing new practices, leads to extended division of labour ; and extended division of labour, allowing those, whose principal business it is to make observations, to confine their attention to some small part of the material world, enables them, and of course enables society at large, more speedily to become acquainted with it : but I contend, that observation must have preceded division of labour, and some progress must have been made in a knowledge of the external world, before men could have thought of devoting themselves to different employments. Undoubtedly they had learned to make bows and arrows, to catch animals and fish, to cultivate the ground and weave cloth, before some of them dedicated themselves exclusively to making these instruments, to hunting, fishing, agriculture, and weaving. I take this to be strictly consistent with Dr. Smith's own principles; for had men laid themselves out for particular employments, before those employments were invented, it would prove that division of labour was the fore-planned result of human wisdom to lighten labour, which he expressly denies. (Hodgskin, 1827a, p.79)

*is a constant, natural, and necessary tendency to an increase in their knowledge, and consequently in their productive power.*  
(Hodgskin, 1827a, p.94-5)

Thereby Hodgskin was reiterating the general Whig progressive attitude towards the advance of knowledge, which came to be typical of subsequent Victorian Britain.<sup>292</sup>

### **Hodgskin as a pre-Smithian Growth Theorist**

Despite his apparent Whig affiliation, Hodgskin's notions on growth, concentrating as they did on knowledge, innovation and technological change, should be seen as the continuance of ideas on progress that were prominent before the *Wealth of Nations*. As we have seen, he argued against Smith, and later Classical economists in general, and could be understood to be perpetuating pre-Smithian concepts.

The distinction between Smith and his predecessors can be seen illustrated in Anthony Brewer's paper *Adam Ferguson, Adam Smith, and the Concept of Economic Growth* (1999). This paper contrasted the prominence placed on capital's role by the two authors of its title;

Where the *Wealth of Nations* differs from Ferguson's *Essay* is in the central role it accords to savings and capital accumulation as the primary determinant of growth. An increasing division of labor is the primary source of growth in output and income per head, but

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<sup>292</sup> Indeed, Hodgskin seems to have been echoing the general Whig attitude that we can see, for example, in Sidney Smith's review of Bentham's *The Book of Fallacies* (1824) for the *Edinburgh Review*. Although this review referred to experience, it was in terms similar to Hodgskin's observations, when discussing the "fallacy" of the superior wisdom of previous generations.

Those who come first (our ancestors) are the young people, and have the least experience. We have added to their experience the experience of many centuries; and, therefore, as far as experience goes, are wiser, and more capable of forming an opinion than they were. The real feeling should be, *not*, can we be so presumptuous as to put our opinions in opposition to those of our ancestors? but can such young, ignorant, inexperienced persons as our ancestors necessarily were, be expected to have understood a subject as well as those who have seen so much more, lived so much longer, and enjoyed the experiences of so many centuries.  
(Smith, 1824, p.34)

This can be seen in opposition to the view held by Hodgskin's some time opponent Charles Babbage in his *Reflections on the Decline of Science in England* (1830) that bemoaned the current level of knowledge as inferior to previous times, although this work concentrated mostly on the way science was taught, particularly at university level.

an increased division of labor requires investment (WN, 276-77. Increases in total output almost always require investment, and hence saving (343), while savings are automatically invested by all but the pathological misers (338). (Brewer, 1999, p.249)

Subsequently, after the *Wealth of Nations*, Smith's focus on capital was to become the orthodoxy of political economy, even if it were challenged by a few, such as Hodgskin.<sup>293</sup>

It is absent from Ferguson's *Essay*, as it is from the works of Hume and other writers of the time, with the single exception of Turgot (Brewer, 1995). After the publication of the *Wealth of Nations* it came to dominate thinking about growth, at least until very recently. (ibid, p.250)<sup>294</sup>

Accordingly both Ferguson and Smith saw growth as inevitable, albeit for different reasons:

Although both Ferguson and Smith thought that continued growth was normal in developed "commercial" societies, they stressed different reasons for it. Where Ferguson put the emphasis on the development of the "arts" and of knowledge, that is technical change, Smith instead emphasized capital accumulation. (ibid, p.252)

In a similar vein Cosimo Perrotta's paper, *The Preclassical Theory of Development* (1997), looked at changes in economic thought brought about with the *Wealth of Nations* as related to the shifting concerns of the time.

One could object that the Enlightenment approach to the problems of development was due solely to the fact that labor was at that time still the most important factor of production. With industrialization, the viewpoint changed because the growth of

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<sup>293</sup> In *Accumulation of knowledge and accumulation of capital in early 'theories' of growth and development*, Renee Prendergast portrayed Hodgskin together with John Rae and Bentham as explicit critics of Smith's focus that positioned capital as the main driving force to economic growth. She saw Smith's innovation as a paradigm shift that downplayed the role of knowledge in favour of capital (Prendergast, 2009).

<sup>294</sup> John Gray, in his *Essential Principles of the Wealth of Nations* (1797), had seen Smith's error not so much in his adherence to one particular writer but to French Economists as a whole (Gray, 1797, p.4-5). Gray also challenged Smith's apparent demotion of the importance of factors of production other than capital;

The principle and most essential cause of the prosperity of a state is the ingenuity and labour of its inhabitants exercised upon the fertility of its soil. All other causes of the prosperity of a state, united are not equivalent to this; (Gray, 1797, p.4)

fixed capital became the main element in development. (Perrotta, 1997, p.316)<sup>295</sup>

From this standpoint Hodgskin's economics held to pre-Smithian Enlightenment concepts rather than those more prevalent within early 19<sup>th</sup> century industrialising Britain. Thus we should not be surprised that Hodgskin, with his emphasis on economics as the science of labour, and his deprecation of capital, should have produced a concept of growth that highlighted knowledge, technology and innovation, in terms of human capital rather than material or financial capital.

Thereby Hodgskin's attack on capital in *Labour Defended* can be seen conjoined with his deliberations on knowledge in *Popular Political Economy*. The first work attempted to debunk the role of capital in promoting production and economic growth, whereas the second book explained what he saw as the real active driving force to economic growth, if it were not capital.

### **Communication**

Although the increase in knowledge was the main contributory factor towards economic growth, Hodgskin recognised that efficient and improved communications also encouraged economic growth and the improvements to knowledge. The facility of enhanced human communication not only enabled knowledge to be shared, but also acted in a manner similar to creating a population of more concentrated proportions:

No one doubts that the rapid communication which may now be had from every part of this country to every other part, contribute both to the increase of knowledge and of wealth. ... *Numbers* of minds are instantly set to work even by a hint; and every discovery is instantly appreciated, and almost instantaneously improved. The chances of improvement, it is plain, are great in proportion as the *persons are multiplied* whose attention is devoted to any particular subject. It appears to me, therefore, that an increase in the number of persons produces the same effect as

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<sup>295</sup> Perrotta also summarised pre-Smithian concepts in terms that could be aligned with what we have seen promulgated by Hodgskin, at least as they related to the social cost of labour being reduced by higher productivity.

The increase in consumption and wages allows a higher level of skill; this in turn increases productivity, and therefore lowers the social cost of labour while increasing the production of wealth. (Perrotta, 1997, p.316)

communication; for the latter only operates by bringing numbers to think on the same subject. (Hodgskin, 1827a, p.93-4)

Thus Hodgskin also saw freedom of communication as an essential factor in a society's economic growth. A free press was thereby particularly important, as he saw evidenced in Britain's greater economic growth when compared to other states, which also illustrated the negative impact of censorship.

In that European country, however, which of late has made the most rapid progress in wealth, the people have been the freest to inquire. The press, and with that the mind, has been less shackled in Britain than in any other country of Europe. This probably is the sole source of her superior opulence. Every part of knowledge is intimately and closely connected with every other, and men cannot be impeded or restrained from inquiring into one branch without their progress being ultimately checked in every other. (ibid, p.98)

Such expressions of opinion go some way to explain Hodgskin's dedication to journalism that was evident from the beginning of his writing career and was to stay with him for the rest of his life:<sup>296</sup>

It is, however, apparent, that most of our prosperity is more owing to our free press than to our parliament, and, composed as that of Hannover is, it never can be a cause of prosperity to that country. (Hodgskin, 1820, v.I, p.463-4)

Without a free press, therefore, even virtue and utility remain concealed and lose much of their efficacy because nobody is encouraged to imitate them. (ibid, v.II, p.238)

Man uses words to make known his wants to his fellow man. There might by possibility be some rude barter were there no spoken language, but there could be no extensive buying and selling, no division of labour, no society, in the true sense of that

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<sup>296</sup> Such an expression can also be found in an article for the *Edinburgh Monthly Review* for March 1821:

We need not say how much we revere the genuine freedom of the press as the fountain of intellectual light, and the source of all that is great among mankind. It is by means of this instrument that nations grow and prosper in all that is essentially worth the care of rational beings, ... It is by union and reciprocal communication that the soul of man grows to that maturity for which it was designed by its Creator – (EMR, March 1821, p.366)

Although this article may well have been one of Hodgskin's there is only the one paragraph that these lines are from that appears particularly Hodgskinitic which means that there is insufficient material to assign this item as definitely one of Hodgskin.

term. The use of language, therefore, is indispensable to social existence, and it alone links man to man, and links all society in one common bond. (Hodgskin, 1842, p.83)

Communication is, in fact, the soul of society. (Hodgskin, *BG.*, 17<sup>th</sup> April 1867, p.2).

### **Material Factors**

In line with his concentration on the humanistic aspects of economics there was little in Hodgskin's writing pertaining to material influences upon growth. He also downplayed the importance of the personal talents of individuals, when compared to the overwhelming influence of society:

It is plain that every individual, be his singularities and his intellectual powers what they may, has his character, his sentiments, his thoughts, his passions, – yea, even his intellect itself, – fashioned by the time at which he lives, and by the society of which he is a member; so that any thing which is peculiar to himself forms but the smallest part of the whole man. Whatever may be his natural endowments, and some philosophers have doubted if there be originally any difference among men, every man is chiefly indebted for whatever he possesses of knowledge, of skill, of inventive power, to the knowledge and skill of other men, either living or dead. The influence of society over every individual mind, is paramount to all other things. (Hodgskin, 1827a, p.87)

Hodgskin was critical of those who, to his mind, recognised population as a human issue, but then turned to non-human material conditions to determine events;

But these philosophers did not confine their researches to the law of population, to human nature and its attributes, to the instinct of love and its effects, to industry, skill, and knowledge, – they did not confine themselves to man; but, immediately after referring to a certain law under which the human species is continued and spread over the earth, they left man the single object they began to investigate – took little or no notice of the effects of that law in increasing knowledge and giving skill, and passed to some certain qualities in a monopolized *soil*, which they called fertility, and from that shaped out laws for the progress of *man* in society. (Hodgskin, *E.*, 18<sup>th</sup> Nov. 1854, p.1269)

With similar arguments to those he had used to dismiss material conditions from the science of political economy in general, he discharged the effects of soil from the population question;

The soil has, and its qualities have, no more to do with the question of the law of population and the means of subsistence – determined by industry – than the atmosphere or the water or any other portion of the globe. Man can no more live without a certain quantity of air and a certain quantity of water than a certain portion of food generally obtained from the soil. In fact he can live in the ocean and on fish, but there he must have air and fresh water. (ibid)

Not that he refused to recognise that soil had practical implications, but for him these were not sufficient to be so all encompassing as to negate all other considerations;

But the limitation of the soil – the appropriation and monopoly of it – have always supplied the practical and immediate barrier to progress; and so these philosophers left man and his attributes, which comprise all the phenomena to be considered, to talk about fertility of soil, and deduce laws of progress from some qualities of it in its monopolised condition. (ibid, p.1270)<sup>297</sup>

Thus man can be faced with immediate difficulties but the story of his progress related to how mankind overcame those difficulties, rather than how those problems came to dominate his existence. The use of knowledge and its communication were, in Hodgskin's eyes, therefore the prime concerns, not only to man's progress but to a study of such growth.

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<sup>297</sup> The private ownership of land was not the issue for Hodgskin, but the legal mode of ownership that encumbered it with legislation such as primogeniture and entailment. *Natural and Artificial Right of Property Contrasted* contained his main arguments against the legal mode of appropriation as contradicting what he saw as the natural or economically endogenous form of ownership.

Hodgskin's review of Herbert Spencer's *Social Statics* (1851) provides an important insight into Hodgskin's view as to the ownership of land.

The right of individuals is not each to use the land, according to the author's own doctrines, but each to use his own faculties; and if in the progress of society great numbers of persons can subsist without using the land to satisfy their wants – if experience has taught us that a much greater number of human beings can subsist and have their wants satisfied by the land becoming property than otherwise – if it be also a fact that more faculties are called into play, such as those of the men engaged in all the trades not connected with the land, then it follows, on the author's own principles, that the land should be appropriated, in order to promote the exercise of faculties and engender greater happiness. ... We are afraid that the author is led, by just indignation at the abuse of the right of property in land which has taken place throughout Europe, to conclude erroneously against the use of such a right. (Hodgskin, *E.*, 8<sup>th</sup> Feb. 1851, p.151)

His review of Charles Knight's *Knowledge is Power* provided a useful exemplar of Hodgskin's overall attitude to those factors that had bearing upon economic growth and the relationship with material objects.

It is intended to show that in the production of wealth knowledge is power; and the motto chosen from Bacon is – “The empire of man over material things has its only foundation in the sciences and the arts.” It does not require any argument to show, as arts change and improve from age to age, though they have material to work on, and as science is continually augmenting, that empire of man over material things is wholly intellectual. It arises from the senses observing external objects and the mind guiding the hands. The foundation of the empire being immaterial, the empire itself has now no known or conceivable bounds, and thus the well-accredited principle, knowledge is power, brings clearly before us a vista of progressive improvements for society, with an horizon for ever receding as man advances. (Hodgskin, *E.*, 30<sup>th</sup> Dec. 1854, p.1454)

### **Methodological Matters**

Given that the focus of this thesis is Hodgskin's concept of economic progress we will not enter into an extensive discussion of the general technical and methodological issues of both population analysis and growth theory. Nevertheless, it should be evident that Hodgskin was at odds with many of his contemporaries' thinking on these issues.

In general it has been recognised that following technological change a population's condition would be improved, which in turn would lead to changes in both its death and birth rates; i.e. there were more people being born and they tended to live longer. Whilst it cannot be doubted that Hodgskin recognised that changes occurred with Crude Birth Rate (CBR) and Crude Death Rate (CDR) statistics, he was evidently not satisfied with what had been said to be the initial impetus that caused such changes.

If population changed due to technical innovation one might query, as he did, where such developments originated. Thus rather than having technological change as an exogenous factor, he sought an answer endogenously. From this perspective one could envisage technical change as being made by individuals, but those individuals were in society and shaped by that society.

Hodgskin conceived that an answer could be found within mankind's social and economic existence rather than exogenous factors such as governmental management and planning. For him to accept that society changed because of technical advances, just left unanswered the question as to why there was such innovation. Even if it were assumed that technology changed because of improvements in human knowledge the issue would be why did human knowledge advance?

Thereby, Hodgskin found an answer that saw technological change occurring because of the very nature or character of society. Society was a dynamic and evolving arena not just a static passive canvas on which exogenous effects came to play out their effects. The alternative, perhaps, saw society as a static and otherwise unchanging phenomena. In the Whig spirit, and partly in-line with Victorian vibrancy, Hodgskin saw society not from a conservative perspective of steadfast consistency, but from a deep-seated view of dynamic social evolution.

### **Part Three - Indicators of Growth**

The modern array of statistics and associated analytical tools were unavailable to Thomas Hodgskin, but nevertheless he was evidently keen to support his theory of economic growth with the available data of the time.<sup>298</sup> Thus, in the first decade of Victorian Britain Hodgskin's articles for *The Economist* contained much analysis of some of the statistical information that was available. The first two indicators of growth were relatively obvious, namely population numbers and prices.

In addition to these Hodgskin also concerned himself with crime statistics given that one of his assertions was that as prosperity grew there would be fewer criminal acts against property, as dire need and relative poverty diminished. Indeed most of his known articles for *The Economist* were on the subject of crime. Hodgskin, to a lesser degree, also used marriage statistics to forward his arguments, contending that as economic growth improved living standards more people would be willing and able to afford to be married.

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<sup>298</sup> Remembering of course that in *Popular Political Economy* Hodgskin had noted that the purpose of his representation of growth within his theoretical pure market economy was to relate that to the real world so that a perception might be created as to the effects of non-economic (i.e. exogenous) factors.

Thus we turn our attention in the last part of this section to review Hodgskin's presentation of those indicators of economic growth.

### **Population and Pauperism**

Simple rises in the number of people was probably not a very illuminating or strong case to put forward in support of growth in the sense that Hodgskin meant as economic progress. Thus he sought some association between the population increase and their condition. To this end he availed himself of the statistics on pauperism that were on hand.

An example of such an exposition can be seen in his article of 24<sup>th</sup> May 1851 entitled *Pauperism and Free Trade* which was typical of his work in this area. This article began with almost gleeful irony that despite the introduction of free-trade and with an increasing population, there was a reduction in public expenditure according to Poor Law Board statistics;

Another half-yearly return of the most satisfactory description from the Poor Law Board! When is the ruin of the country to begin to exhibit fruits? How often have we heard from leading Protectionists in Parliament that they would stake the whole question at issue on the effects of the modern policy on the labouring population? Pauperism was to be the index. Well, for three years every return has been an improvement on the one preceding. (Hodgskin, *E.*, 24<sup>th</sup> May 1851, p.558)

So whilst this particular article was concerned with the issue of the impact of free trade upon the labouring class it still showed that the national rate "of the expenditure in relief of the poor" had undergone "another reduction of 8 per cent." (ibid). Thus it was an example, for Hodgskin, of what occurred in the economy when restrictive policies were abandoned so that natural growth could flourish. In this case the state of the population would improve (i.e. less pauperism) despite its increase in size.<sup>299</sup>

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<sup>299</sup> Although it might be noted that the amount of money spent by the Poor Law Boards might have simply decreased because they just gave out less rather than because less was necessary, Hodgskin was addressing those who he noted had claimed that "Pauperism was to be the index". He was addressing the detractors from the more economically liberal policies, with the measure they had themselves cited. The claim had been that free-trade would lead to the Poor Law Board having to pay out more and Hodgskin pointed out that this was not the case.

That population was increasing in the first half of the nineteenth century was widely acknowledged. For example, G.R. Porter's *The Progress of the Nation* (1847) gave figures that indicated that the population increased at about 14% every ten years in the period from 1801 through to 1841:

1801	1811		1821		1831		1841	
Pop. (M)	Pop. (M)	% rise						
10.94	12.60	15.11	14.39	14.12	16.54	14.91	18.72	13.18

Table 1. Population figures for Great Britain from Porter, 1847, p.8

These figures showed the population had risen from just under 11 million to nearly 18¾ million, a 71% increase in just 40 years. Indeed by the time of the 1851 census the population had risen to 20.94 million – a near doubling of the population within 50 years.<sup>300</sup>

Thus the first criterion of an increased population was beyond question, but it remained to be argued whether that enlarged population were in a better condition than that of earlier times, and hence the figures on pauperism were useful – “Pauperism was to be the index”

### Prices

As we have already discussed Hodgskin's opinion was that in the long term prices, both natural and market, tended to decrease in relative, rather than simple nominal, terms. We have also illustrated the attempts to validate this claim with the establishment of *The Economist's* price index from 1845.

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<sup>300</sup> Porter's *Progress of the Nation* was an authoritative work that went through many editions as a literary notice in *The Economist* acknowledged:

The reputation of Mr Porter's work is so firmly and deservedly established, and it is so well and widely known, that it is only necessary to say the present edition brings down most of its statements to the end of 1849. The work has lost none of its clearness, and its utility is increased. (*The Economist*, 1<sup>st</sup> March 1851, p.235)

This relatively short notice is not known as one of Hodgskin's, but does bear much of his style and does immediately follow his review of James Hole's *Lectures on Social Science and the Organisation of Labour*. There were presumably numerous such short notices and commentaries in *The Economist* that can only ever be conjectured on as to their authorship.

Thus in very crude terms prices from 1845 to 2005 fell to 30% of their original figure whilst population from 1841 to 2001 rose by 180% or put another way the 1841 population was only 35% of the modern number.<sup>301</sup> As we have shown Hodgskin did accept the limitation of statistics and all the vagaries incumbent on the technicalities of the formulation of such temporally diverse data.

Thus in a limited vein Hodgskin's notions stand up to some scrutiny such that his view can not be summarily dismissed out of hand.<sup>302</sup> Hodgskin also used other data to illustrate his hypothesis as we shall now discuss in his consideration of crime statistics.

### **Crime Statistics**

Much of Hodgskin's writing for *The Economist* concerned crime and crime statistics.<sup>303</sup> By way of example we will concentrate on his article aptly given a title that left no doubt as to his association between population and crime – *Increase of Population and Decrease of Criminality* – published on 13<sup>th</sup> Sept. 1851.

This article opened with the recognition that figures available from the 1851 census had shown that the population had increased since the 1841 census (by 12%) and that there had been a marked shift of the population from rural to town dwelling. He also ridiculed John Stuart Mill and McCulloch for their apparently fearful attitude towards population growth and what they had perceived of as associated dangers.

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<sup>301</sup> ([www.statistics.gov.uk](http://www.statistics.gov.uk)) Population in 1841 for Great Britain taken as 20.94m and 2001 as 58.79m .

<sup>302</sup> The apparent decline of price levels in the early 19<sup>th</sup> Century can be seen in several other contemporary sources that furnish support to Hodgskin's analysis of diminishing prices. For example:-

- G.R. Porter's *Progress of the Nation* – 1836, 1838, 1848, 1851
- Thomas Tooke's *A History of Prices* – 1838, 1848, 1857
- Thomas Tooke's *An Inquiry into the Currency Principle; the connection of the Currency with Prices, and the Expediency of a Separation of issue from Banking* (1844)
- Thomas Tooke's *Thoughts and Details on the High and Low Prices of the last thirty years* (1823 & 1824)
- Charles Babbage's *On the Economy of Machinery and Manufactures* (1832)

<sup>303</sup> Of the 98 articles (excluding reviews) known to have been written by Hodgskin in *The Economist*, at least 48 seem, by their titles at least, to have been related to issues of crime (Stack, 1998, p.220-3).

Hodgskin went on to expound his notion that the increasing population, being even more concentrated in cities and towns, did not cause the sort of catastrophes that some had feared:

When civilisation has always gone hand-in-hand with increasing people, and fled with every declining and dying-out race, it seems extraordinary that theorists should ever have imagined that an increase of people was a source of danger, and must be guarded against. To have decreed that man shall multiply, and have accompanied the multiplication with evils and wrongs still more multiplied, does not recommend a system so expounded to our respect; and, independently of experience, the theory would seem to be *prima facie* false, and even absurd. We know, too, that coincident with the growth of our towns, an immense variety of physical improvements have come into existence. (Hodgskin, *E.*, 13<sup>th</sup> Sept. 1851, p.1010)

Hodgskin noted that even though “the rate of mortality has been lessened”, it was “desirable to bring more evidence” to bear. As such he looked to the annual criminal returns.

The criminal returns, in conjunction with the increase of population, seem to supply such evidence. (*ibid*)

Thus he presented the facts initially at national level, albeit in summary form;

There has been in the last ten years a great increase of people, and there has been a great decrease in commitments. The population of England and Wales has augmented in ten years 1,968,341 and the commitments have decreased between 1841 and 1851, 947; or taking the total of the first five years and the total of the last five years, the commitments in the last five years, the comparison was 139,505 to 138,918, showing a decided decrease in commitments in the last five years, notwithstanding the increase of the people. (*ibid*)

Using comparisons from the five counties with the largest increases of population, with those five with the smallest increases, he calculated that the five largest increased populations (between 18% and 26%) had far greater reduction in criminal commitments than those five counties with the least rise in population (between -0.7% and 4%). The county with the largest increase in population (Durham) had conversely a relatively large increase in commitments from 215 per year up to 358, which was obviously a large percentage increase although relatively small in absolute terms. As Hodgskin pointed out the conviction rate in Durham was still only 0.7 per 1,000 inhabitants, whereas the

county with the least increase (actually a decrease of 0.7%) Wiltshire, had a conviction rate of 1.6 per 1,000. However, even allowing for the oddity of Durham, the overall figures for the two groups of counties, showed larger decreases in criminality in the most populated counties, which also tended to have the largest increases.<sup>304</sup>

we believe that the comparison of the population tables and the criminal tables together justifies the conclusion, that criminality is not in general so great in well-peopled districts and in the districts in which the population increases the fastest, as in the districts where the population is the thinnest and increases the slowest. (ibid, p.1011)

Hodgskin was well aware that the apparent improved behaviour, evidenced by less criminality, might have been the result of humanity's closer proximity rather than due to an improved economic situation. Indeed Hodgskin himself had recognised in his review of Joseph Fletcher's *Summary of the Moral Statistics of England and Wales* (22<sup>nd</sup> September 1849) that the reduction of criminality associated with an increased population might well be due to sociological or psychological causes rather than solely economic reasons.

The increase of people carries with it a decrease in criminality. It brings each individual more and more under check – more and more annihilates obstinate self-will – more and more multiplies the motives for action derived from others, and diminishes those derived from isolate self – more and more absorbs, if we may so speak, the individual in the mass, and makes him conform to the wishes and desires of others. (Hodgskin, *E.*, 22<sup>nd</sup> Sept. 1849, p.1060)

However this improved social behaviour, induced by having to live together in closer confines, was of benefit to mankind, and, for Hodgskin, meant that greater prosperity would follow.

Thus the progress of population being the cause of all civilisation, becomes the test for making manifest the causes that injure the welfare of man: (ibid)

Thus an increased population did not advance knowledge, technology and wealth solely via economic want and necessity but also through the increased

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<sup>304</sup> Hodgskin perceived that the areas with the largest absolute populations tended to have the largest economic growth and hence higher rates of population increases. In his hypothetical pure market economy there would necessarily be a connection between the size of population and the rate of economic growth and population increase.

social pressures and needs resultant from living in more concentrated proximity. Hence criminal statistics could be indicative of improved social conditions that on one hand indicated that there had been progress in terms of wealth and welfare, and on the other hand, provided an enhanced environment from which knowledge and technology would be better developed.

### **Marriage Statistics**

In his article *Marriages and Abundance* (26<sup>th</sup> May 1849) Hodgskin provided summary evidence to link the number of marriages with the improving economic conditions, particularly in years of good harvests. He also argued that people generally only married having made some necessary provisions.

few marriages take place without the parties possessing some property, and a probable means of providing for themselves and their offspring. (Hodgskin, *E.*, 26<sup>th</sup> May 1849, p.574)

Thus the marriage statistics could also provide a good indicator of economic prosperity and growth.

The increase, or the decrease, in the number of marriages is thus one index to the increase of the capital of the country. From them spring all the labourers who create capital; and being only contracted as the rule when some capital or means of creating it is prepared, their increase is equally an indication of the growing power of the state and the well-being of individuals. (ibid)

Being, in this way more dependent on the growth of wealth, than crime statistics, which could be affected by sociological issues, marriage statistics were viewed by Hodgskin as a valuable tool in his arguments in *The Economist* in favour of his theorising of population and economic growth.

## Section Two

### Other Economic Changes

Further economic conditions, other than the natural growth that Hodgskin perceived stemmed from population changes, shall be considered in this section, i.e.;

- Changes in technology that did not originate from the improvements in knowledge associated with an increasing population in the hypothetical pure market economy. These would thus equate to positive exogenous change.
- Changes in the conditions of production unrelated to permanent changes in technology or human knowledge. Thus such changes would generally be of a temporary or seasonal nature.
- Changes instigated upon the economic system by government intervention, that were from Hodgskin's perspective negative exogenous change.

#### **Exogenous Technological Change**

Changes in technology unconnected to increases in population or other endogenous factors within the pure market economy could be seen to represent exogenous growth. Examples of these would be the importation of a new technology or a perfectly random technological discovery. If a new mode of production arose from causes unrelated to improvements in society's knowledge then that would be exogenous.<sup>305</sup> In such a situation the changes in technology themselves might well provide a stimulus to an increase of population if that new technology actually impacted on costs so as to lower both natural and market prices.

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<sup>305</sup> Such a change might be one imposed upon an economy arising from political, cultural, ethical or religious interests. In these cases the alteration might be seen as artificial or un-natural, but only in the sense of being exogenous to the restrictions of a hypothetical pure market economy. In the wider sense of society as a whole they would probably be artificial in the sense of man-made but not necessarily un-natural.

This situation was not one that Hodgskin appears to have considered in any detail.<sup>306</sup>

Hodgskin did not deny that exogenous changes could take place that had positive effects on economic growth. However, his concentration was directed towards a consideration of systemic or endogenously stimulated growth. Given his view that political economy was a science concerned with labour and its use, it should not be a surprise that he looked towards what could be done internally, rather than rely on events outside that science.

### **Temporary Change**

When there was no technological advance but productivity was still improved then this could represent an improving economic situation for society. An increase in output without any actual change in labour or its use, would necessarily be due to reasons outside of Hodgskin's hypothetical pure market economy and external to his discipline of political economy, and thereby represent exogenous growth.

Land in the broadest sense, can become more productive outside of the influence of human action or knowledge. Such changes would in general have to be seen as climatic. An example of this latter effect would be improved corn or wine production as a result of an advantageous environmental situation.

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<sup>306</sup> Notwithstanding this, an exception, in the case he described of money when seen as simply a commodity, could with some latitude be seen as illustrative of such a situation of exogenous change. The discovery of gold and silver in America that had lowered the natural price of these precious metals when compared with other commodities, meant that they fell in relative exchangeable value:

The consequence of that discovery [of America which lowered the value of the precious metals throughout Europe] was to supply us with gold and silver, particularly the latter, by means of less labour than was necessary to obtain them from the mines of Europe. Accordingly, gold and silver in a few years fell so much in value, that the period of the discovery of America has become a remarkable era in the history of political economy, as well as in the more extensive history of mankind. After that period it became necessary throughout Europe, to give more than three times as much silver as was before given for corn. (Hodgskin, 1827a, p.187)

Although this quote did not directly relate to growth issues it does provide an example of economic consequences resulting from non-economic sources. The accident of American gold and silver deposits did not directly arise from what could be seen as endogenous factors within the hypothetical pure market economy.

Thus with favourable weather conditions output might be increased so as to cause a fall in prices and lead to an increased population.<sup>307</sup> However, in this scenario, the mode of production would remain the same, having no need to change given the fortuitous increase of output, until such time as the increased population was not sustainable at the new levels of output. At such point price might rise and, according to Hodgskin's notions, necessity would stimulate humanity to find further output increases, using knowledge to improve productivity.

Thus, initially at least, there could be the appearance of economic growth, except for a change in technology. This form of fortuitous growth would not be permanent in the long term and remain subject to the environmental conditions, and thereby was not really sustainable growth.

The impact of temporary climate changes can also be seen in the short term seasonal effects on society. Thus, as Hodgskin recognised, marriages tended to be more numerous in the post harvest periods of the year; quoting from the Registrar General's reports he noted that;

The details of the increase and decrease of marriages are as instructive as the general statement. "The fewest people marry in the first quarter of the year, and the most in the last, which follows harvest and includes Christmas." (Hodgskin, *E.*, 26<sup>th</sup> May 1848, p.574)

The impact of good harvests was still a major influence when Hodgskin was writing for *The Economist* in the mid 19<sup>th</sup> century. So much so that he estimated that its influence was greater than the impact of government intervention and enactments on the economy and people's welfare.

We cannot overlook the fact – indeed, it is the strong part of the free trade case at present – that the seasons have more influence than legislation on the well-being of the community, (ibid, p.573)

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<sup>307</sup> Other environmental, but non-climatic changes might, for example, be the eradication of a disease or a pest, form a cause completely independent of human action. Where pests or diseases are eradicated by man this would be seen as a change in human technology which in turn could simply be endogenous (in Hodgskin's sense). Consideration could also be given to the fact that diseases or pestilence can be the result of man's actions, either directly or indirectly. Pollution resulting from intensified industrial production could be endogenous, whereas other situations such as wars that had environmental consequences could be viewed as exogenous.

Notwithstanding this recognition Hodgskin did write far more copiously on the issue of government intervention in the economy presumably because that was at least within human control, whereas the weather was not.<sup>308</sup>

### **Governmental Intervention**

For Hodgskin governmental interference in the economy took various forms that can be classified into three main types;

- Restrictions that affected market size. These included measures that artificially limited the population or such actions that constrained the available markets (i.e. consumers), such as protectionism.
- Limitations that affected prices; such as taxes, tariffs, and tithes, which maintained prices higher than competition would normally have brought them down to.
- Legal property rights, which facilitated the appropriation of the outputs of production to agents other than those that created them. This effectively meant that non-labourers or idle-capitalists, in the sense we have already discussed, were allocated property created by others, without actually labouring in any form themselves.

Within Hodgskin's "anarchism" any government action always amounted to a burden for those that did labour, as legal laws in general acted in ways contrary to the pure market economy. To Hodgskin's mind there was never a law which sought to promote that which would have occurred anyway, as there would not be a need to enforce what would nonetheless have happened. A legal law was necessary to enforce a condition that would not have happened but for that

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<sup>308</sup> Although there was an article (apparently by Hodgskin) in *The Chemist* that appeared to discuss the problem of climatic conditions akin to Global Warming. This piece noted the general increase of temperatures with an associated increase in rainfall. The common theory of the time seems to have been that these climatic changes were due to industrialisation, particularly the release of heat from the Earth's core resultant from all the mining activities that went with that industrialisation. Hodgskin seems to have ridiculed the idea that human impact on the environment was a major concern with immediate catastrophic implications:

Timid people, indeed, among whom we do not reckon ourselves ... imagine, from the calamitous state of the elements, that something more terrible is now to befall the human race than it ever before suffered; and that the unhappy beings of this generation are destined to be both drowned and burnt. (Hodgskin, *C.*, 10<sup>th</sup> April 1824, p.80)

enforcement, thus all legal laws were exogenous to the pure market economic system.<sup>309</sup>

But as law is in fact only a general name for the will of the law-maker, being, the expression of his desire to have wealth, and retain power and dominion, it is clear that in making laws for the appropriation of property, he will not, consistently with nature, give to every one what he produces. This object always has been, and, now is, so to dispose of the annual produce as will best tend to preserve his power. (Hodgskin, 1832, p.47)

Accordingly laws were there to enable the powerful to remain dominant, because they would have lost that power without such laws. Those with inherent power did not need laws to maintain what would be sustained in any case.<sup>310</sup>

The preservation of the power of the unjust appropriators has been called social order, and mankind have believed the assertion. To maintain their dominion is the object and aim of all human legislation. The great mass of the two hundred and odd statutes, which, up to a recent period, inflicted death on our people, had no other object than to enforce obedience to an unjust scheme of appropriation. That government is a great evil, that laws to model and uphold it, imposing restraints on thought and commerce, on the press and locomotion, that taxes to pay its expenses, kings and judges to administer it, and armies and hangmen to carry their blood-stained decrees into execution – that Aristocracies dazzling us with the display of gaudy magnificence, and hierarchies imposing on our senses by more solemn delusions--both intended to cheat us into admiration of their tinsel shew to which substantial happiness is sacrificed ; that gaols and gibbets, and tread-mills, the instruments of legislative wrath, and the signs of its dominion, that they all inflict sharp pain in their first operation, and spread misery through society, is universally admitted; that I have convinced you of the unholiness of their origin, or their inability to answer the end proposed, I cannot assert; but I must express my sincere conviction, that the apparent necessity for maintaining them is altogether a consequence of our artificial and unjust right of property. (Hodgskin, 1832, p156-7)

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<sup>309</sup> A position we have seen acknowledged by Anton Menger in his *Right to the Product of Labour* (1886).

<sup>310</sup> A point that Hodgskin stressed not only in his articles for *The Economist* and *The Brighton Guardian*, but specifically in *The Natural and Artificial Right of Property Contrasted* (1832). Hodgskin was unable to find time to produce the work he had often envisaged – *The Absurdity of Law Illustrated* – due to the constraints and pressing demands of his life.

It might be argued that exogenous government action could be justified in order to correct external influences or maintain economic order against other exogenous influences. Or, in other words, government interference was not actually meddling but intervention to keep the economy on its natural course. Against such a position Hodgskin argued that although we might identify that nature followed its own course, what route that natural course should or would take was unknowable. Thus the study of a future that has yet to come to pass, that facilitated the writing of laws to amend that unknowable future, was a fruitless effort.

A philosopher, indeed, might say, inquire into what? Into the past condition of society? Legislators would not surely make laws for that. Into the future condition of society? There are no means for conducting the inquiry with success. The progress of the past may cast its shadow before, so that you may have a rough notion that society is to go on increasing in people, in wealth, and in knowledge, as it has increased in past time; but what shape that increase is to take, how rapid is to be the progress, and what are to be the new relations, both among individuals and among nations, it will call into existence – what new trades, what new arts, may arise – what new habits, manners, customs, and opinions, will be formed – what is the precise outline society will assume, with all the fillings-in of the picture to the most minute touches; – all these things, to which laws ought to be adapted, cannot possibly be known: and inquiry into them, with a view of making laws to accord with them, must necessarily make the whole business of legislation appear in its true character to mankind – a mockery of their interests, and a fraud on their understandings. Will legislators inquire, then, into the present? It is a line without breadth – the negation both of the past and the future – one of which passes into the other, while you are talking of inquiring and before you can make your laws to catch it. (Hodgskin, 1832, p.11)<sup>311</sup>

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<sup>311</sup> The specific study of the future, as *future history* was for some the object of all intellectual inquiry. To illustrate this Hodgskin had noted Dugald Stewart's *Elements of the Philosophy of the Human Mind* (Vol. 1, page 251, 2<sup>nd</sup> ed.) which referred to "an enlightened anticipation of the future history of mankind" (Hodgskin, 1832, p.4). Perhaps in opposition to his own sometime title of "The Cockney Philosopher" Hodgskin referred to those of this persuasion as the Westminster philosophers (Hodgskin, *BG.*, 19<sup>th</sup> June 1867, p.2). As we saw in our chapter on *Nature*, John Stuart Mill in his *System of Logic* (1843), was also to use the term future history:

we may hereafter succeed not only in looking forward into the future history of the human race, but in determining what means may be used

This lengthy passage is also worth quoting for illustrating Hodgskin's attitude not only to a beneficial future, but also his stance on the futility of legislation.

### **Detrimental Consequences**

The worst impact of government actions that had a bearing on growth were those that affected the continued increase in a population; such as market restrictions and measures that increased prices. From Hodgskin's perspective an increasing population not only gave rise to more needs, but was thereby the source of the observations that produced the knowledge that improved technology. A decreasing or static population would stunt economic growth by cutting off these two inspirations to growth.

A decreasing overall population would eventually also decrease the size of the labouring workforce available, leading to a decline in output and living standards.

On the other hand, when nations cease to increase in numbers, when they begin to decay, we may be quite sure the power of the natural principle of population is so great, that in them the mass of the people cannot easily obtain the means of subsistence. Individual poverty, a scanty population, its slow growth, or national decay, also accompany one another. (Hodgskin, 1827a, p.12)

Limits to markets could also result in society's producers being subdued if they cannot export or envelop more consumers. In turn this weakened the impetus to produce cheaper goods via enhanced production methods and slowed economic growth.

Governmental actions also interfered with the pricing mechanism, which, as Hodgskin had recognised in *Popular Political Economy*, was an effective way to provide both producers and consumers with market information. Hodgskin anticipated some of the arguments that were to follow in economics about the social co-ordinating mechanisms. In this debate he was firmly in that camp that recognised the impossibility of any one agency, be it the government or other body, determining what society should produce to meet its needs and capacities. Again this was in part due to his mistrust of authority but also down to his view, as expressed in the passage above, regarding the impossibility of

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and to what extent, to accelerate the natural progress in so far as it is beneficial; (Mill, VIII, p.929)

knowing the future, particularly in knowing what could be produced and what was actually needed and, perhaps more importantly, wanted.

Those actions that interfered with the pricing mechanism tended to enhance what Hodgskin called social price.<sup>312</sup> With market price tending to relate to social price – “Unfortunately, all commerce is so much regulated by legislation, that all money [market] price at present represents social price;” (Hodgskin, 1827a, p.232) – government intervention would affect market prices and impede their tendency to equate closer to natural prices.

In line with his general attitude to governments and laws, Hodgskin was very much occupied with the right of property, particularly, as we have discussed previously, the legal right of property and that economic right of property associated with the ideas of “each to his own” and “the fruit of one’s labours”. This obviously found its most forthright outlet in *Natural and Artificial Right of Property Contrasted* (1832).

The legal right of property, as we have previously illustrated and as recognised by Anton Menger and others, failed to ensure that the producers (labourers in the widest sense) gained property rights over the whole of their produce. As we have already seen Menger had realised that laws, “being the outcome of quite other than economic conceptions”, were generally opposed to the economically ideal (Menger, 1886, p.2).

Thus as we have discussed previously, by not attributing society’s output solely to those who produced it, social price was enhanced above natural price with all the implications we have already shown.

### **Business Cycles**

Hodgskin’s ideas on the nature of business cycles were thinly scattered through his writings. An early example can be found in a letter published on 12<sup>th</sup> Feb. 1826 in the *Trades’ Newspaper - Effects of Repealing the Corn Laws*. These early conjectures were conceived around the idea that capitalists, being over-

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<sup>312</sup> There were, of course, measures that could affect natural prices by necessitating the use of more labour in production that would otherwise have been the case in a freely competitive market. There were also a myriad ways in which government restriction also directly and indirectly distorted production so as to effectively hinder natural prices’ inevitable fall. Or put another way hindered the inevitable improvements to productivity.

stimulated by government actions and encouragements, periodically overtraded or inappropriately invested. This over-stimulation resulted from non-economic or political circumstances; i.e. it was exogenous in character.

This can be seen in Hodgskin's letter which defended bankers but laid the blame with the government for the depression that followed the short-lived boom of late 1825.

A more efficient and certain cause can be found in ... the speculation of the capitalist and the master manufacturer, which were founded in the hopes of advantages that have never been realised ... I attribute [this] ... to the speeches and writings of the ministerial part of the Government, ... they have flattered the cupidite and stimulated the enterprise of our manufacturers and merchants, by talking of the increased market they were to find for their commodities. The latter eagerly hastened to supply the imaginary market. ... These speculations turned out not profitable – they became bankrupt, and distress among the workmen ... has been the consequence. (Hodgskin, *TN.*, 12<sup>th</sup> Feb. 1826)

In *Natural and Artificial Right of Property Contrasted* the subject of business cycles was broached again with reference to the legal right of property and the businessmen's unreliable expectations.

When we look at the commercial history of our country, and see the false hopes of our merchants and manufacturers leading to periodical commercial convulsions, we are compelled to conclude, that they have not the same source as the regular and harmonious external world. ... Starts of national prosperity, followed by bankruptcy and ruin, have the same source then as fraud and forgery. To our legal right of property we are indebted for those gleams of false wealth and real panic, which, within the last fifty years, have so frequently shook, to its centre, the whole trading world. (Hodgskin, 1832, p.155-6)

Hodgskin's interest does not appear resurrected again until his review of McCulloch's *Treatise on the Circumstances which Determine the Rate of Wages* that showed that he conceived that the cyclical booms could involve an increase in consumption without an appropriate increase in capital:

It has always been the argument, of the Economist, that in those years [1842-46] capital was much misapplied and wasted; and hence the revulsion of 1847-8. There was something else, therefore, besides the quantity of capital which determined the employment and the wages of labour between 1842 and 1846, and that something every person knows, was a delusive and *false*

*hope* in capitalists, or those who could obtain credit, which gave a wonderful extension to employment without any corresponding increase in capital. The quantity of capital was the ultimate test, indeed, of the validity of credit; it proved the credit to have been fallacious – the hopes to have been a delusion; but in the meantime the people were employed, the wages paid and consumed; (Hodgskin, *E.*, 27<sup>th</sup> Dec. 1851, p.1440)

The *Economist's* position was generally that the “delusive and *false hope* in capitalists” stemmed from the government’s exaggerated assertions and exogenous support regarding the expansion of railways, as such this interference had economically negative consequences.

Whilst it would be unrealistic to assert that Hodgskin possessed anything like a fully worked out theory of business cycles, the above passages illustrate that he was well aware of the problem. However, rather than lay the blame on changes to population or simple bad luck, he sought an economic answer primarily with government actions as the root cause of the difficulties.

The problems associated with business cycles were caused by factors outside the “regular and harmonious” conditions of an unfettered market, which would otherwise have progressed or grown in a manner favourable to mankind’s economic needs. As such these outside influences were exogenous to the economic ideal of a pure market economy.

# Chapter 9

## Concluding Remarks

Our concluding remarks initially provide a summary of the points made in this thesis; followed by a more detailed synopsis of Hodgskin's position on economic growth. We will also address some of the apparent contradictions within Hodgskin's work.

### Summation

We have represented various aspects within Hodgskin's work, which we briefly summarise here:

- We illustrated Hodgskin's perspective that saw political economy as a science concerned with the production of wealth by labour.
- Labour amounted to any purposive human action that supported the labourers' subsistence. Labour could be remunerated by wages, salaries, commission or profits.
- We demonstrated the distinction between labour as the cause and the source of wealth; such that labour was the efficient cause of wealth but not necessarily its sole source.
- The claim that the labourer should receive the whole product of labour was demonstrated to mean that the labourer had a property claim in that portion of the whole product they had actively contributed to create – labour should receive the whole of what it produced.
- The term *natural* as applied within the science of political economy, when pertinent to a hypothetical pure market economy, was reconstructed to equate to the expression *endogenous*.
- The term *artificial* when used in the sense as described above, was reconstructed to equate to the expression *exogenous*.
- Hodgskin's Natural Price was presented as essentially the inverse of productivity.

- Social prices amounted to natural prices enhanced due to the interference of exogenous factors with pure market economy mechanisms.
- Competitive forces were seen by Hodgskin, as creating an environment in which market prices would effectively decrease in relative terms. This can be seen as akin to recognising the augmentation of real wages.
- Hodgskin's notions on value were interpreted such that he is distanced from the usual concept of a labour theory of value. We accept that he held a labour theory of property as well as a labour theory of the notion of value, but not a full-blown objective labour theory of value with value directly determined or measurable in labour terms.
- We also presented Hodgskin's growth theory as one based on the endogenous factors of population and knowledge that necessarily increased as a result of man's social existence.
- For Hodgskin, economic progress or growth was evident in an increasing population under improved economic conditions, as signified by proportionately larger increases in both output and living standards (as illustrated by decreasing prices).
- Endogenous growth was consistent with increasing productivity; thereby natural prices fall. Endogenous growth was evident in the tendency for natural, social and market prices to fall and gravitate towards each other.
- Exogenously stimulated developments might have some characteristics similar to endogenous growth, but without the tendency for the various forms of price to gravitate together.
- For Hodgskin exogenous factors such as governmental actions and laws were likely to ensure that the difference between natural and social prices (and hence market prices) increased rather than narrowed, over time.

## **Growth**

When Hodgskin wrote his economic works the terms exogenous and endogenous had yet to find a place within economic phraseology. Indeed the words did not even appear in the 1861 edition of the *Walker's Dictionary*.

Within Hodgskin's economic scheme we should equate what he saw as natural to our more modern expression of endogenous, especially in the sense that what is natural is that which a system is endowed with.

In distinction to this the artificial is that which was essentially exogenous to the economic system. A social economic system of production was not of necessity encumbered with government or legal laws, as these were artificial embellishments. Hodgskin's view was that laws and governments were subsequent to human economic activity. This contrasted with the prevalent view that economic activity could only occur in conditions created by governments and their legal systems. Religious tithes were also artificial in this sense.

When Hodgskin considered natural price he was effectively discussing a price determined purely by factors endogenous to a social pure market economic system of production. In contrast to this his social price reflected factors external to such a system, or prices affected by economically external issues, i.e. exogenous.

The same distinction can be drawn with his ideas on growth. In the normal course of events, Hodgskin argued, the socio-economic conditions lead to a growth of population in improved circumstances. This growth would have been endogenous or in the language of the time natural.

Given that the workings of such a market system were in general necessary and sufficient to enhanced prosperity (economic growth), that which was exogenous would generally be detrimental or at least superfluous. Thus that which was not natural, i.e. exogenous to such a pure market economy, was deemed as artificial (or unnatural), and considered as unnecessary or harmful.

It would appear that this was the perspective that coloured Hodgskin's economic prognosis and can be seen exhibited particularly in his promotion and defence of free trade in *The Economist*.

It is also evident from much of his writing that although he viewed what we would nowadays refer to as the market as the best available economic system, he was not blind to some of its short term failings. His *Effects of Repealing the Corn Laws* (12<sup>th</sup> February 1826) provided an excellent example of this but also showed his commitment to long term issues and interests. The same piece also

illustrated that his concerns were not restricted to the local or national, but extended internationally throughout the whole human social economy.

### **Contradictions**

The exposition and reconstruction we have made can prove useful in shedding light upon some apparent contradictions within Hodgskin work.

The ostensible contradiction between his position in support of free-market economies and his criticism of capital would only be inconsistent if he promoted the free-market whilst at the same time wishing to completely abandon all forms of capital and capitalism. His criticisms seem rather to have been directed at the mismanagement of capital, which he saw arose from that inaccurate economic analysis which valued the importance of capital too highly, and downplayed labour's role.

He never denied that capital was important nor rebuffed the services performed by capitalists. His argument was rather with the attitude that saw capital independently creative of wealth separate from any human action or involvement. Left to itself capital would not perform any useful role, but would waste and decay. Nevertheless legal society tended to reward those who did no work, purely on the basis of their legal ownership of wealth. For Hodgskin this was exploitative not only of the labourers, but of human society as a whole.

From our insights into his notions of growth one can conclude that he envisaged that humanity would prosper without legal intervention, but such intervention was necessary only to maintain the power of those with property who no longer wished to work (or labour) in order to receive a reward. For Hodgskin capital was a necessary factor within production but its impact diminished in the long term, whilst its reward – compounded interest – increased. Such increases were in the long-term not only unsustainable but detrimental to the potential rate of progress, i.e. economic growth.

With a correct view of capital and labour the rewards of production would reside with those that were actively creative of output rather than concentrated on those who just owned or had power over the means of production – as encapsulated in the concept of an idle capitalist.

In Hodgskin's view of the *Natural* there would be economic growth, and man's current efforts, rather than his past, would be rewarded. However the apparatus of state and power intervened and, in the relatively short term at least, disturbed man's normal progress. Thus Hodgskin was a free-marketeer of the most liberal persuasion, who only baulked at modern capitalism as it was distracted from its true unhindered path by politically misguided and self-interested parties.

It is also in this vein that we need to understand Hodgskin's apparently contradictory attitude to trade unionism. When capital was disproportionately rewarded trade unions could redress the balance back towards the interests of those that creatively produced, rather than the idle capitalists. Utilised inappropriately capital could impede labour's productivity; hence these themes surfaced in *Labour Defended against the Claims of Capital* (1825). However as the power of trade unions increased Hodgskin conceived that they went beyond this expediency with eventual detrimental effects upon the economy, as they impeded capital's economical efficiency.

So again understanding the natural and artificial distinction in a manner akin to the endogenous and exogenous concepts provides some useful insights. We could perhaps say that when trade unions acted in an endogenous manner, in the sense of behaving in line with economic and social laws of the hypothetical pure market economy, they would do no harm and actually could counter exogenous affects. After all, as Hodgskin pointed out in *Labour Defended*, it is perfectly understandable for workers to combine in social union, as labourers are, like humanity in general, social creatures.

Nevertheless, a point can arise when trade unions behaved in a manner contrary to economic laws or necessity; they then became akin to an exogenous effect on the economic system. Such exogenous behaviour might well be the pursuit of political ends, such as socialism or communism, in comparison to the purely economical and social ends that could be conceived of as endogenous.

Hopefully, these points also lead the way to understanding our final contradiction of Hodgskin's use of the term social price with somewhat negative connotations, and his perception of economics as a social science and man as

a necessarily social creature; as such social price become equivalent to an exogenous price.

### **Consonance**

Thus the apparent dissonance that Hodgskin's economics initially presented tends to fade when we reconstruct his work and become more aware of the intricacies, resolve logomachy, and benefit, with hindsight, from understanding that his perspective on human progress has proved in many instances useful, not least his emphasis on human ability and knowledge as regards economic growth.

Indeed, both Anthony Brewer and Cosimo Perrotta drew attention to the relevancy of pre-Smithian concepts, such as we find fundamental to Hodgskin's ideas on progress, to a modern understanding of growth.

To point out that Ferguson's approach to economic growth differed from Smith's is not to say that it was inferior. As a piece of economic analysis, it is far less developed – indeed, it can hardly be called economic theory at all. It provided, as it was meant to do, a background to his discussions of social development and was not intended as a contribution to economics. Even so, Ferguson's emphasis on product and process innovation is in many ways more in line with modern thinking about economic growth than is Smith's single-minded emphasis on capital accumulation, (Brewer, 1999, p.253)

But today we are witnessing the decline of traditional industrialization as the driving force in development, and the growing importance for productivity and development, of human capital (that is to say the very factor to which the Enlightenment thinkers attached such value). We can therefore conclude that eighteenth-century development theory can explain the real evolution of the western economy over the last three centuries better than the later theories of development. (Perrotta, 1997, p.317)

It is in this vein that Hodgskin's ideas of growth should be valued with regards to a modern understanding of growth theory.

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<sup>313</sup> That this work can be jointly attributed to Hodgskin was first illustrated by William St. Clair in his article *Postscript to The Last Days of Lord Byron* in the *Keats-Shelley Journal* 1970.

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