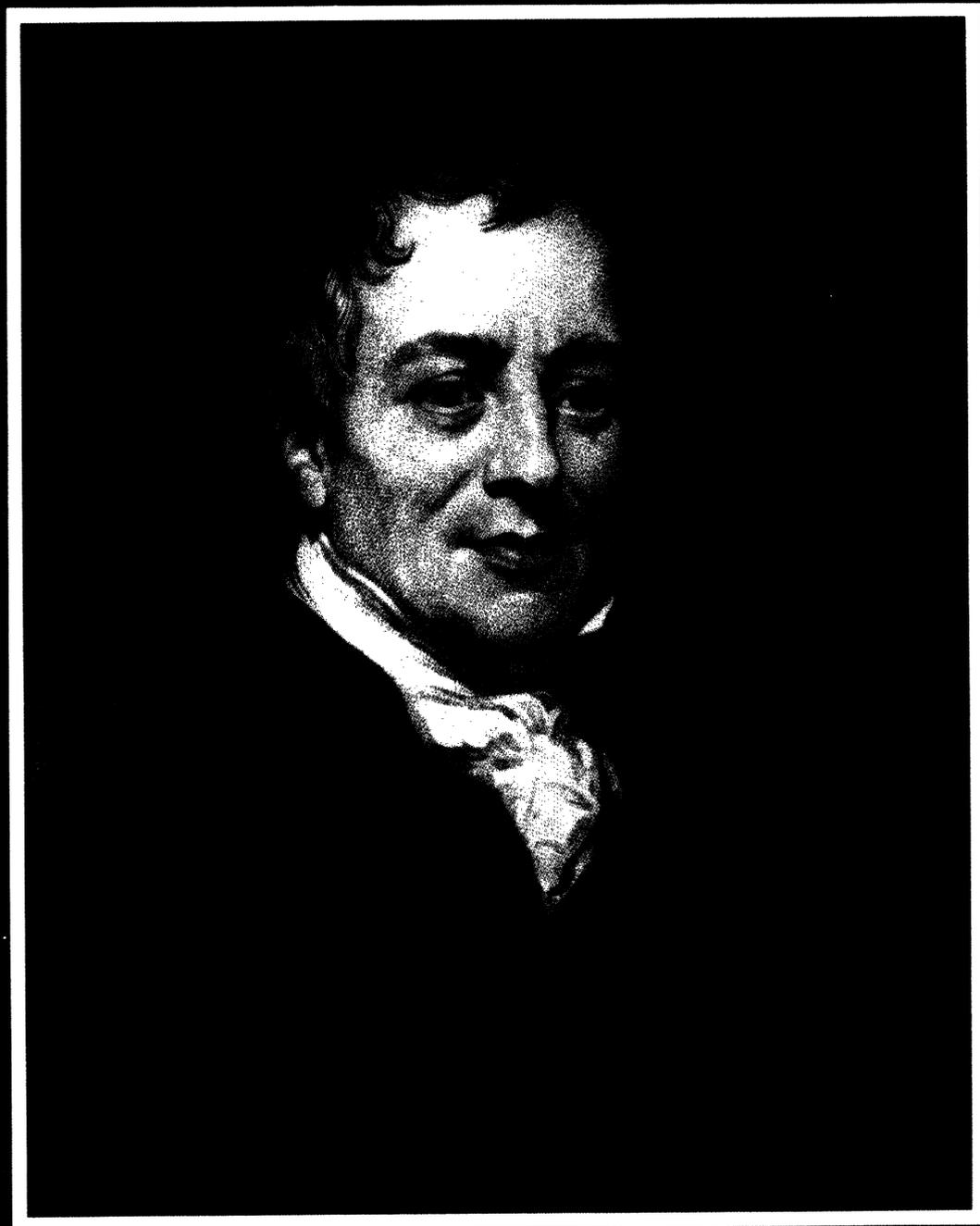


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Cover: Engraving of David Ricardo from *The Works of David Ricardo* by J. R. McCulloch, courtesy of George Stigler.

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## Editorial

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**D**avid Ricardo (1772-1823) made an unexpected contribution to liberty. A successful broker in government bonds, always interested in intellectual and scientific studies, but unaccustomed to research and writing, Ricardo's essays and books were an advancement of liberty which could not have been predicted. Once published, Ricardo's thought became one of the foundations for nineteenth century intellectual activity. Joseph Schumpeter believed that Ricardo, building on Richard Cantillon and Adam Smith, had created an impressive instrument of analysis. Ricardo felt that he had drawn from the contributions of Turgot, Stewart, Smith, Say, Sismondi "and others" (*History of Economic Analysis*, New York, Oxford University Press, 1954). Among the others were Thomas Malthus and James Mill.

Thomas Malthus and Ricardo were acquainted for a dozen years, yet they were in fundamental disagreement on methodology (cf. Robert Ekelund and Robert Hebert, *A History of Economic Theory and Method*, New York, McGraw-Hill, 1975). Similarly, Malthus's emphasis on insufficient aggregate demand (underconsumption theory) was contrary to one of the central principles of economics, Say's Law of Markets. By contrast, James Mill and Ricardo enjoyed an identity of method and principles. Mill persuaded Ricardo to read such major thinkers as John Locke, David Hume, and John Millar (Adam Smith's pupil) and to write his major works in political economy. Mill himself had been a student in Edinburgh of the Smithian Dugald Stewart, and transmitted Stewart's approach to Ricardo. Ricardo felt himself a member of the liberal school of Bentham and Mill, and acted in public as a practical spokesman for that school after he entered parliament for an Irish borough in 1819 (cf. Elie Halévy, *The Growth of Philosophical Radicalism*. Part III. London, Faber and Faber, 1928).

During David Ricardo's lifetime England experienced the completion of the wrenching transformation from an agricultural to a growing industrial society—the Industrial Revolution. Much anxiety was expressed whether the country could sustain over time the level of prosperity which industrial growth was providing. Ricardo's writing sought to provide correct answers from political economy to these problems. In addition, the almost quarter century of war placed a great strain on English society. Taxation and government loans siphoned off huge amounts of monies that otherwise would have gone into productive investments: the small householder was compelled to pay taxes and the great financier was lured to invest in

government securities rather than industry. The government's recourse to indirect taxation through the inflationary issuing of paper money created still further economic dislocation.

Indeed, addressing these dislocations, Ricardo's earliest economic contributions in 1809 (*Three Letters on the Price of Gold*) were critiques of inflation and paper money. As one of the most successful, and shrewdest men in the money market, Ricardo brought to the subject detailed knowledge of the nature of money and the consequences of government intervention in money through central bank expansion of money. His rigorous objections to paper money systems laid the foundation for sound monetary policy for a century. Today, a half century of disquieting experience with the volatile monetary system has reawakened interest in the economic principles Ricardo espoused.

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Sir Herbert Butterfield died in late July, 1979. Sir Herbert, long a pre-eminent expositor of the history of ideas and of historiography, especially in diplomatic history, exerted a major influence on Anglo-American scholarship. At Cambridge University Butterfield created the groundwork for historical research free of the bias in favor of government policies (cf. "Official History," Kenneth S. Templeton, Jr., ed., *The Politicization of Society*, Indianapolis, Liberty Press, 1979). Butterfield sensed in the modern state and its historians a reversion to a new type of paganism which assumed "the primeval thesis: 'We are the righteous ones and the enemy are wicked'." From his perspective "official history" imagined that:

masses of men on the one side have freely opted for wickedness, while on the other side there is a completely righteous party, whose virtue is superior to conditioning circumstances. The reasons for suspecting such a diagram of the situation are greatly multiplied if the ethical judgement is entangled with a political one—if, for example, the wickedness is charged against a rival political party, or imputed to another nation just at the moment when, for reasons of poor politics, that nation is due to stand as the potential enemy in any case.

Sir Herbert was kind enough to write favorably about *Literature of Liberty*; unfortunately, his death prevented his writing a bibliographical essay on Lord Acton for the *Literature of Liberty*. For an intimation of his approach to Acton, one might wish to consult his *Lord Acton* (Historical Association General Series, 9, 1948) and "Acton: His Training, Methods and Intellectual System," (in A.O. Sarkissian, ed., *Studies in Diplomatic History and Historiography*, London: Longmans, 1961). A starting point for appreciating Sir Herbert's own historical contributions to the study of liberty would be William J. McGill's "Herbert Butterfield and the Idea of Liberty," *The South Atlantic Quarterly* 70 (Winter 1971): pp. 1-12.□

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**Bibliographical Essay**

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# Economics and Ideology: Aspects of the Post-Ricardian Literature

by *Samuel Hollander*

*University of Toronto*

## Introduction

**D**avid Ricardo (1772-1823), author of the influential *Principles of Political Economy and Taxation* (1817), belongs to that more or less cohesive "school" of political economy for which Karl Marx coined the label "classical economics." As a "comprehensive liberal philosophy" classical economics transcended narrow positivist economic science and attracted public attention, especially during the nineteenth century, by urging public policy reforms along a broad front of political, social, and economic issues. Armed with the analytical tools of political economy, the classical economists attacked the thorny contemporary problems of inflation, commercial and agricultural policy, as well as economic growth and the possible limits of the burgeoning population of the Industrial Revolution. Chief among the Scottish and English "classical" economists during the 150 years from the birth of its mentor Adam Smith to the death of John Stuart Mill, the eloquent voice of liberalism in transition, were: Adam Smith (1723-1790), Jeremy Bentham (1748-1832), Thomas Robert Malthus (1766-1834), David Ricardo (1772-1823), James Mill (1773-1836), Robert Torrens (1780-1864), John Ramsay McCulloch (1789-1864), Nassau William Senior (1790-1864), and John Stuart Mill (1806-1873).

Controversy and partisan ideology becloud scholarly interpretations of Ricardo's and "Ricardian" economics. Ricardo and the

other classical economists looked to Adam Smith's *Wealth of Nations* (1776) for their inspiration and analytic paradigm of how to do political economy in a comprehensive sense. However, the pressures of the Industrial Revolution, the inflationary storms arising from the Napoleonic Wars, and exploding technology, population, and social unrest taxed the classical economists to extend the scope and methodology of Adam Smith to deal with nineteenth-century issues. Opinions vary on how closely Ricardo himself hewed to the Smithian paradigm. In his own opinion, Ricardo in the Preface to his *Principles* believed that he was walking in Smith's footsteps (and those of his Continental followers) and merely dealing with a new set of problems left unsolved by his predecessors:

To determine the laws which regulate this distribution is the principal problem in Political Economy: much as the science has been improved by the writings of Turgot, Stuart, Smith, Say, Sismondi, and others, they afford very little satisfactory information respecting the natural course of rent, profit, and wages.

Later economists disagreed on the impact and meaning of Ricardo's and the "Ricardians'" contributions to economics and whether Ricardian economics represented a "detour" from Smithian analysis. Begrudgingly and waspishly, John Maynard Keynes declared that Ricardian economics "conquered England as completely as the Holy Inquisition conquered Spain." J.R. McCulloch, Ricardo's fellow "classical" economist, saw Ricardo's *Principles* as beginning "a new era in the history of the science." Marx, however, judged 1830 as the end of Ricardian economics. Finally, Schumpeter's influential opinion held that the "Ricardians were always a minority in England." More extravagantly the "Ricardian" man of letters, Thomas De Quincey wrote of his mentor's advancement of economic learning:

All other writers had been crushed and overlaid by the enormous weight of facts and documents; Mr. Ricardo alone had deduced, *a priori*, from the understanding itself, laws which first gave a ray of light into the unwieldy chaos of materials, and had constructed what had been but a collection of tentative discussions into a science of regular proportions now first standing on an eternal basis.

Amid such dissent over Ricardo's place in the development of nineteenth-century economics, it is necessary to determine whether Ricardo's economic analysis and Ricardian procedure represented a genuine contribution or was an unfortunate "detour" from the emerging general-equilibrium procedure and analysis.

### *Synopsis*

This essay examines two themes central to the literature on nineteenth-century "classical" economics. The first is that of an alleged *dual development* of economic theory—a development that contrasts "Ricardian" procedure on the one hand with embryonic

general-equilibrium, or “neo-classical,” procedure on the other. My second theme concerns the motives for the so-called “bourgeois dissension” from Ricardian theory following David Ricardo’s death in 1823. Past writers have regarded this dissent as a reaction against the ideological use made of Ricardian theory by the “labor writers,” and particularly against Marx’s interpretation of Ricardo. In Sections I to III, I sketch the received doctrine on these matters. In the remainder of the essay I shall argue that the nineteenth-century record actually portrays a common theoretical heritage shared by most economic writers regardless of ideology: allocation via the price mechanism. This rules out any dualistic categorization of economic developments into “Ricardian” as opposed to general-equilibrium streams. I shall also argue that we cannot usefully interpret in ideological terms the “bourgeois dissension” (a subject easy to exaggerate).

## I. The Concept of a “Dual Development” of Economic Theory

Economists from diverse ideological backgrounds share the notion of a “dual development” of economic theory. Such a “dual development” theory is common both to J.A. Schumpeter’s *History of Economic Analysis* (probably the best known history of economics ever written) and to a variety of interpretations in the Marxian tradition (for example, Maurice Dobb’s *Theories of Value and Distribution Since Adam Smith*). Those who endorse this “dual development” approach largely agree in terms of this theory’s substantive content. Differences among these economists lie in their *evaluations* of the evidence; these evaluative differences flow from the perspective of the particular “ideal type” of analysis which each economist uses to evaluate the early literature.

### *General Equilibrium Development*

Thus, Schumpeter’s economic vantage point is the (Walrasian) *general equilibrium analysis* of productive organization. The characteristic feature of this “ideal type” of economic analysis is the *simultaneous* determination of the prices of outputs and productive services (land, labor, capital) by the market demand-supply mechanism.<sup>1</sup> The simultaneity of the economic process is seen in the demand prices of productive services in each use. These prices derived through the “imputation” among them of the value of the final output, utilizing the principle of substitution at the margin in both production and consumption. Simultaneity also appears in the role played by the returns to productive services in the determination of product prices.

In *production*, this principle states that each productive service ought to be employed so that the ratios of the marginal products of all productive services are equal to the ratios of their prices. In *consumption*, it states that consumers ought to allocate their consumption so that the ratios of the marginal utilities of all goods consumed are equal to the ratios of their prices. Any departure from the requisite ratio equality in the case of either a particular productive service or a particular consumption good will lead to *substitutions*. Such substitutions occur either (a) in the use of productive services or (b) in the consumption of commodities so as to reestablish all desired ratio equalities. Simultaneous determination occurs since it is possible for each decision to be made without others having to precede it temporally. All relations in the economic analysis are represented by an interrelated system of mathematical equations. Consequently, several determinations are made simultaneously: the determination of the product prices, the determination of the demand prices, of productive services, the determination of the desired mix of productive services in production, and the determination of the desired mix of output produced. Each decision necessarily reflects and requires the other through the market demand-supply mechanism. The simultaneous determination of all required economic magnitudes constitutes the general equilibrium.

Within this general-equilibrium model, the problem of distribution—envisaged as the pricing of productive services—is simply one aspect of the analysis of productive organization. In this analysis, given resources are allocated between different uses and within each use by means of price competition.

*Alleged "Ricardian" Development  
According to Schumpeter*

Ricardian economic procedures, according to the Schumpeter-Knight historiography, are diametrically opposed to the spirit of general equilibrium. Above all, they are opposed to its conception that the returns to factor services are competitively determined prices: "The problem of distribution, the sharing of a joint product among an indefinite number of agencies (owners) cooperating in its creation, not merely was not seen as a problem of imputation, but was not approached as a problem of valuation at all."<sup>2</sup> The Ricardian approach was to consider the problem of distribution in terms of these aggregate class shares. Ricardo employed a model that accounted for *rent* as a differential surplus, *wages* by the subsistence theory, and *profits* as a simple residual.

In dealing with the determination of the laws regulating distribution—his fundamental problem—Ricardo is said to have arbitrarily reduced the number of variables in his model until he was left with but one variable, namely profits. These profits were deter-

mined as a form of residual (the difference between the marginal product of labor and the subsistence wage rate), by the one equation of the system. This particular approach was dictated, so runs Schumpeter's argument, by Ricardo's "inability to deal with systems of simultaneous equations,"<sup>3</sup> and his failure to appreciate the notion of incremental variation, that is, of factor and product substitution.<sup>4</sup> Schumpeter's argument further contends that Ricardo had no conception of the demand-supply apparatus—that he was "completely blind" to its nature and logical place in economic theory. Ricardo restricted demand-supply analysis to the short-run case of given supplies and monopoly. Further, Ricardo envisioned the labor theory (which he applied to long-run exchange values), as "distinct from and opposed to" demand-supply theory.<sup>5</sup> Schumpeter further argued that the specific engine of analysis which Ricardo devised, constituted a "detour" in the development of economic analysis. For, had not A.R.J. Turgot, Adam Smith (in significant chapters of the *Wealth of Nations*) and in particular J.B. Say, Lord Lauderdale and T.R. Malthus previously achieved a considerable insight into the "correct" approach towards productive organization? This earlier approach viewed distribution as the pricing of requisite and scarce services.<sup>6</sup>

Despite these earlier efforts and the work of "the men who wrote above their time" (the "dissenters") during the post-Ricardian period (especially Mountifort Longfield)<sup>7</sup>, it was only during the last three decades of the nineteenth century "that the conception of an economic cosmos that consists of a system of interdependent quantities was fully worked out with all its problems, if not quite satisfactorily solved, at least clearly arrayed and with the idea of a general equilibrium between these quantities clearly established in the center of pure theory."<sup>8</sup>

### *Dobb's Version of a "Dual Development" of Economics*

An exact "mirror image" of Schumpeter's "dual development" reading of the evidence appears in Maurice Dobb's Marxian study. Dobb discerns two streams of thought—two classical traditions—relating to exchange and income distribution. Both streams flow (albeit in very different ways) from Adam Smith as fountainhead.

The first classical tradition originated in Smith's cost of production theory (the "adding-up-components" version). For Smith competition, through the operation of supply and demand, assures that market prices gravitate towards "natural" prices. These "natural" prices are defined as the sum of the unit wage, unit profit and unit rent costs when the factors of production are paid at their "natural" rates. These "natural" or necessary factor payments are in turn determined by the general conditions of supply and demand for

labor, capital and land. This approach “etched in lightly and suggestively by Smith” was developed by the Longfield-Senior group, by John Stuart Mill, and subsequently by W.S. Jevons and Alfred Marshall. Full fruition was reached with the Austrian school and the Lausanne school. In the economic theories of these schools (according to Dobb) “product prices and income-distribution [are] assimilated into one system of mutual and simultaneous determination of product-prices and factor-prices in interaction.”<sup>9</sup>

The second classical tradition—far from constituting a “detour” was, Dobb believed, the *true* tradition. It flowed from Smith in the sense of being a reaction against his system. Ricardo replaced Smith’s “peculiar” value theory “to make conditions of production, and in particular quantities of labor expended in production, the basic determinant [of value] alike in capitalist and pre-capitalist society.”<sup>10</sup> The Ricardian system placed distribution in center stage. Dobb contrasts Ricardo with Smith in the following passage:

Whatever his reason may have been for regarding distribution as the central problem, his instinct in doing so was undoubtedly right, and his mode of treating distribution was crucial. He saw that this had to be explained in terms peculiar to itself and not as an outcome of general supply-demand exchange relations, as Smith had treated it . . . Moreover for Ricardo an answer to the question about distribution was a necessary and prior condition for calculating the effect of a change in wages on prices (both general and individual prices): in other words for calculating the ‘modifications’ of relative prices introduced by differences in technical coefficients of production, affecting particularly the use of fixed capital.<sup>11</sup>

In brief, distribution had *logical priority* over prices or exchange values. Dobb’s Marxian view of the Ricardian tradition divorces distribution from the general pricing process. The wage rate is determined “exogenously,” that is, outside of the exchange system, and profits are a residual.<sup>12</sup>

The formal identity between the interpretations of Schumpeter and Dobb, insofar as concerns the *content* of Ricardian theory, will now be apparent. Both emphasize Ricardo’s alleged *divorce of distribution and exchange*; both note that the absence of a notion of distribution is a problem in factor pricing. Both lay great stress on the conception of an exogenously determined wage rate. They also share the notion of a “dual development” of economic theory. But the difference between them is also clear: Schumpeter treats the Ricardian characteristics in question as an inexcusable lapse, a failure to appreciate the nature of economic analysis. They lead to a result that lacks sense. By contrast, Dobb views the same characteristics as a matter of deliberate choice reflecting a full appreciation of the nature of scientific economics.

#### *Dobb’s View of Ricardo and the “Cambridge” School*

Dobb’s position may be placed in broader perspective. The modern “Cambridge” school of economists finds little merit in gen-

eral equilibrium procedure in principle. It champions, rather, an approach involving the treatment of prices, production levels, and distribution by means of *separate models*, with an eye upon the isolation of "one-way-direction" relationships or the "causal ordering" of variables.<sup>13</sup> This is a method attributed to Piero Sraffa, as well as to Marx, as we shall see. Because the function of the economist is believed to consist in the specification of "causal" relations where appropriate, "Cambridge" economists attach great merit to the specification of the real wage in cultural or institutional terms and the treatment of profits as residual.

### 1. The Sraffa "Corn Profit" Model of Ricardo

The "Cambridge" economists reflect a number of specific interpretations of Ricardian theory. I have in mind, first, Piero Sraffa's interpretation of Ricardo's *Essay on the Influence of a Low Price of Corn on the Profits of Stock* based upon the assumption that in the agricultural sector both output and input consist of a single homogeneous commodity ("corn" or grain), so that the *rate of profits* may be determined in terms of physical product independently of consumer valuation.<sup>14</sup>

How is this profit rate determined concretely in this framework? This profit rate is set at the margin of cultivation; that is, by farmers cultivating land that is the least fertile or farthest from market centers. This comes about as follows: as the cultivation of land expands in response to the growth of population, farmers have to bring less-productive land under cultivation. On that land a given amount of the farmer's labor and capital produces a smaller output than on more fertile or better located land. In this view, the *exchange value* of output depends on the units of labor and capital used to produce it. Accordingly, the exchange value of output produced on less fertile (or more poorly situated) land is held to exceed that of output produced on better land. It is this exchange value that will constitute the general market price. (In this theory the difference between the market price so determined and the value of output produced on better land is, of course, *rent*).

On all land under cultivation, there can be only one rate of wages and one rate of profits. The wage rate in real terms is set by the ratio of the "wage fund" (assumed to be a definite share or portion of real consumer goods) to the labor pool and tends towards subsistence. The rate of profit is set equal in all employments by the mobility of capital. But, as cultivation extends to less-productive lands and market prices of farm produce rise, the *nominal* (or money) value of the wage fund rises. The exchange value of output will not change unless the amount of labor content changes. Hence, a rise in the

level of nominal *wages* (due to the results of the extension of cultivation) must be accompanied by a fall in the level of *profits*. Consequently, the rate of profits is set by the margin of cultivation.

Given the profit rate in agriculture as determined by this margin of cultivation—the wage basket consisting of a fixed quantity of grain or “corn”—a specific ratio of the price of manufactures to that of corn is implied, namely that which brings the profit rate in the manufacturing sector into line.

### 2. Pasinetti's Version of Ricardo

Luigi Pasinetti's algebraic formulation of Ricardo's system (attributed to the “mature” Ricardo of the *Principles*) is one which, in contrast to Sraffa's corn-profit representation, formally adopts the *labor theory of exchange value*.<sup>15</sup> The Ricardian system is represented by a two-commodity model involving a wage-good (corn) and a luxury-good, the latter identified with the standard of value (“gold”). The monetary unit is taken to be the constant gold output of one worker for one year: “gold” represents in this model an *invariable measure of value*. Corn is also produced in a one-year process. In both sectors, wage-goods or circulating capital alone is required, and the capital stock at the beginning of the year is presumed to be a given, *as is the corn wage*. Given the land area and the state of technology, Pasinetti's (fourteen) equations describing the system yield unique and economically meaningful solutions for the (fourteen) variables of the system, including the rate of profit. What we must emphasize for our purposes here is the independence of the general profit rate from conditions in the luxury-good sector. *The profit rate is dependent solely upon the marginal product of labor in agriculture and the given corn wage, which is precisely the result of the dual sector “corn profit model”*.<sup>16</sup>

### 3. Dmitriev's Equational Version of Ricardo

A labor theory of value is not, however, required to hold that the wage-goods determine general profit. I refer to the brilliant interpretation of Ricardo by V.K. Dmitriev (1904) whose recent rediscovery has excited much interest.<sup>17</sup> Dmitriev's analysis defends Ricardo against Léon Walras's criticism—quite ruinous if justified—to the effect that the Ricardian system is *underdetermined*, containing too few equations to determine the unknowns.<sup>18</sup> But according to Dmitriev's defense there is one equation in Ricardo's system of production cost equations that yields a solution for the profit rate independently of the others. This magnitude can then be used to solve for exchange values. The unique production-cost equation is that relating to the wage-goods sector. The profit rate de-

pends, therefore, upon the (given) “conditions of production”—the labor inputs, both direct and indirect, and their investment periods—in the wage-goods (corn) industry and the (given) corn wage.

The three foregoing representations of the “Ricardian” system—the Sraffa “corn-profit” model, the Pasinetti version of a dual-sector system based upon the labor theory, and Dmitriev’s equational system—share in common the *dependence of the general profit rate solely upon the conditions of production in the wage-goods sector and the (given) real wage*. This result turns upon a rigid distinction between wage- and luxury-goods; it follows from the fact that wage-goods enter into the production of *every* product in the system while luxury-goods do not. This implies a very different conceptualization of the economic process from that of the general-equilibrium economists, for whom *distribution* and *pricing* are inextricably intertwined.

#### *Marx and Sraffa as Purported “Ricardians”*

The Ricardian line, on some readings, includes the economics of Karl Marx and the economics of Piero Sraffa in his famous *Production of Commodities by Means of Commodities*—subtitled *Prelude to a Critique of Economic Theory*. To these extensions I now turn.

Alfredo Medio’s influential account of Marxian theory claims that given the profit rate, we can derive prices of production. But the general profit rate itself is “a function of two basic overall features of the economy, namely a social factor, the rate of exploitation, and a technical factor, the methods of production.”<sup>19</sup> The wage rate is a given or *datum* of the analysis, and it is the conditions of production of “basics” that are relevant for the general profit rate and not those relating to “non-basics” (commodities which are neither means of production nor wage-goods).<sup>20</sup> Maurice Dobb has made the general point this way: “It will be clear . . . that the nature of [Marx’s] approach required him to start from the postulation of a certain rate of exploitation or of surplus-value (or profit-wage ratio in Ricardo’s terms); since this was *prior* to the formation of exchange-values or prices and was not derived from them. In other words, this needed to be expressed in terms of production, *before* bringing in circulation or exchange.”<sup>21</sup>

Much the same case has been made with regard to Sraffa’s masterpiece. Roncaglia’s recent study of Sraffa’s work envisages it as an investigation of prices of production which are defined as “those prices consistent with a uniform rate of profit for all industries for given levels of output.” Sraffa’s work appears concerned primarily with “the influence of the distributive variables (the rate of profit and the wage) on these prices.” Sraffa’s achievement, Roncaglia contends, lies in his demonstration “that it is possible to

determine relative prices without any reference to 'marginal' changes, i.e., with given levels of activity and given 'proportions of factors of production' . . . as a function of one distributive variable (the wage rate or the rate of profits) . . . "22

The import of this purported influence of the distributive variables on prices, lies in the implied break-away from marginalist or general-equilibrium procedure. Prices of production are analyzed without reference to changes in the levels of output of the various commodities in the system and without reference to demand. As Roncaglia phrases it:

In the absence of any considerations whatsoever of the factors that determine the quantity supplied or the quantity demanded of the various commodities, there is no reason to suppose that prices of production should equate the quantity demanded with the quantity supplied for any commodity in the long period or that market prices should fulfill this function in the short or very short period. In addition, in the absence of any explicit analysis of effective (market) prices the relation between market prices and prices of production must remain undetermined.

Similarly, "the emphasis that Sraffa places on the absence of change in the levels of production in his analysis represents an implicit rejection of the marginalist attempt to determine the equilibrium price and the equilibrium levels of output simultaneously." The obverse side of the coin is that by breaking the link between price formation, the determination of the level of production and the realization of sales, Sraffa's work is brought into line with the classical economists (with some qualifications) and with Marx.<sup>23</sup>

## II. On the "Decline" in Ricardian Theory

My investigation of both the content and the origins of Ricardo's *Principles*—particularly the process whereby Ricardo, early in 1813, began to discern what he considered to be a number of logical errors in the Smithian position—confirms the following: what is *characteristically "Ricardian"* is the use of a special theory of value involving an absolute standard in deriving the inverse relationship between wages and profits—the fundamental theorem on distribution. In terms of the special measure, a rise of "money wages" implies a rise in the proportionate share of wages and a corresponding fall in the profit rate.

Schumpeter contended that Ricardianism was a flash-in-the-pan. The Ricardian system not only "failed from the start to gain the assent of the majority of English economists," but by the early 1830s "Ricardianism was no longer a living force."<sup>24</sup> In making his assertion, Professor Schumpeter apparently had in mind the key role played by the so-called "absolute standard of value" in the derivation of the proposition that "profits depend upon wages." The "absolute standard of value" was a commodity produced by a constant

quantity of labor, while the particular dependence of profits upon wages was that profits vary inversely with wages. Both profits and wages were conceived as proportionate shares in an output of constant value.<sup>25</sup>

Recent historiography centrally posits a "decline" in Ricardo's authority in matters relating to the fundamental theorem of distribution and its derivation in terms of the invariable yardstick *even in the work of the "Ricardians."* In his study of the "Ricardian" classical economist J.R. McCulloch, Professor O'Brien has added his authority to the view that the central Ricardian model suffered a serious decline soon after Ricardo's death in 1823. In fact, it is Professor O'Brien's general theme that while McCulloch "did much to popularize economics . . . it was not Ricardo's economics that he was popularizing . . ." <sup>26</sup> McCulloch, runs the argument, must be considered as squarely in the Smithian tradition. A similar revisionist interpretation has recently been put forward regarding the "Ricardian" Thomas DeQuincey.<sup>27</sup> That John Stuart Mill must also be excluded from the group constituting Ricardo's "school" has also been strongly urged: "From Marshall's *Principles*, Ricardianism can be removed without being missed at all. From Mill's *Principles*, it could be dropped without being missed very greatly."<sup>28</sup> Schumpeter dismisses Mill's formal ascription to Ricardianism as merely "filial piety."

This evaluation is also characteristic of Marxian interpreters. Marx himself spoke of Mill's work as an example of the "eclectic, syncretistic compendia" which characterized the period after the collapse of "scientific" political economy in 1830.<sup>29</sup> Along similar lines Maurice Dobb has observed of Mill: "when looking back on him from a distance one can see quite clearly that in major respects his own work was much nearer to Marshall than it was to Ricardo; and that so far as his theory of value was concerned, on the contrary to continuing and improving on Ricardo, in essentials he took his stand on the position of Smith where Ricardo had been opposing him."<sup>30</sup> But to make it comprehensible, we need to place the Marxian reading in broader perspective. I turn next to the issue of economics and ideology.

### III. On the Motives for Dissension: The Marxian View

An important theme in Marxian historiography is that the roots of early British socialism can be traced to Ricardo. The writings of Percy Ravenstone and Thomas Hodgskin—among other ideological opponents of "bourgeois" political economy—were said by Marx to "derive from the Ricardian form;" and Marx refers to "the proletarian opposition based on Ricardo."<sup>31</sup> The derivation in question was a complex one, entailing adoption and development of Ricar-

dian value theory, rid, however, of any allowances for the independent productivity of capital. In Marx's analysis the champions of the proletariat . . .

seize[d] on this contradiction, for which they found the theoretical ground already prepared. Labour is the sole source of exchange value and the only active creator of use-value. This is what you say. On the other hand you say the *capital* is everything, and the worker is nothing or a mere production cost of capital. You have refuted yourselves. Capital is *nothing* but defrauding of the worker. *Labour* is *everything*. This, in fact, is the ultimate meaning of all the writings which defend the interests of the proletariat from the Ricardian standpoint basing themselves on his assumptions.<sup>32</sup>

As one example: Thomas Hodgskin's insistence upon the non-productivity of capital was the "inevitable consequence of Ricardo's presentation."<sup>33</sup> What was involved, according to Marx, is a kind of *inversion* of the Ricardian analysis.<sup>34</sup>

There is a second closely related feature of Marx's reading of the record. The "bourgeois" reaction against Ricardo—the so-called "dissenting" literature of the 1830s and 1840s—must be understood, runs Marx's argument, as a reaction to the use made of Ricardian doctrine by the labor writers. What is referred to as "vulgar" political economy:

only becomes widespread when political economy itself has, as a result of its analysis, undermined and impaired its own premises and consequently the opposition to political economy has come into being in more or less economic, utopian, critical and revolutionary forms . . . *Ricardo* and the further advance of political economy caused by him provide new nourishment for the vulgar economist . . . : the more economic theory is perfected, that is, the deeper it penetrates its subject-matter and the more it develops as a contradictory system, the more is it confronted by its own, increasingly independent, vulgar element, enriched with material which it dresses up in its own way until finally it finds its most apt expression in academically syncretic and unprincipled eclectic compilations.

Marx further argued that vulgar political economy "deliberately becomes increasingly *apologetic* and makes strenuous attempts to talk out of existence the ideas which contain the contradictions"—contradictions that were "in the process of being worked out in socialism and the struggles of the time."<sup>35</sup> It is precisely this reading of the record that reappears in the famous Afterword to the second German edition of *Capital*. Here Marx portrays Ricardo as the "last great representative of political economy," and the year 1830 as the watershed between "scientific" and "apologetic" or ideological, class-centered economics:

In France and in England the bourgeoisie had conquered political power. Thenceforth, the class-struggle, practically as theoretically, took on more and more outspoken and threatening forms. It sounded the knell of scientific bourgeois economy. It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested inquiries, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and evil intent of apologetic.<sup>36</sup>

Marx's reading of the motivation behind the dissenting literature was accepted by Professor Meek in his well-known analysis of "the decline of Ricardian economics in England."<sup>37</sup> To explain "the strength, vigour and virtual universality of the early reaction against Ricardo" economists had to resort "above all . . . to the fact that a number of elements in his system seemed to set limits to the prospects of uninterrupted and harmonious progress under capitalism. In particular, the work of the Ricardian socialists revealed certain disharmonies and pessimistic implications of Ricardo's system so forcibly that the economists of the day could hardly avoid being influenced by them in the course of their evaluation of Ricardo." Similarly, the majority of economists were very much aware of the "dangerous use to which a number of radical writers were putting certain Ricardian concepts." Meek contends that as far as concerns the theoretical core of Ricardianism, the

concepts of value as embodied labour and profit as a kind of surplus value, which had proved so useful to the radicals, were among the first to be amended or rejected: value began to be conceived in terms of utility or cost of production, or sometimes (as with [Samuel] Bailey) as little more than a mere relation, and profit came to be explained not as the result of something which the labourer did but as the result of and reward for something which either the capitalist or his capital did.<sup>38</sup>

#### IV. Ricardo as a General-Equilibrium Economist

I turn in the rest of my essay to matters of criticism. In the first place I wish to argue that we need to abandon the entire concept of a "dual development" of economic theory. I base the following summary statement on my forthcoming study of the *Economics of David Ricardo*<sup>39</sup> and related researches.

##### *Ricardo and Demand-Supply Analysis*

The notion that Ricardo did not possess a demand theory, or at best only a rudimentary one, is a preposterous but all too common belief; and it is a contention central to the approach that attempts to distinguish his economics from the general-equilibrium tradition. It is not difficult to demonstrate Ricardo's sophisticated appreciation of demand-supply technique and its use (together with the principle of profit-rate equalization) in the analysis of a variety of disturbances, such as subsidies, taxes, wage variations, and so forth. This method of analysis lent itself to a sharp distinction between the allocative consequences of changes that affect all sectors of an economy equally and those changes that affect each sector with a differential impact. This method—fully consistent with that of Alfred Marshall—was in fact the only one required by Ricardo in

the derivation of the inverse profit-wage relationship. That Ricardo did not *formally* use it for this purpose is not in question; he chose rather to base himself upon the construction of the measure-of-value device.

To understand why Ricardo proceeded in this way, it is necessary to make conjectures. It is possible—I would say probable—that Ricardo was eager to make his case in terms of the ideal measure because the dependence of the return on capital upon *the proportionate shares* strikes the eye particularly clearly in terms of this formulation. But, whatever the reason, the only *rationale* for the inverse profit-wage relation when we focus upon the process of industry adjustments to disturbances (a rationale which Ricardo himself provides, although not in this context) is that involving the market mechanism. And we must firmly emphasize that in this context there is no sense to the notion that the matter of distribution is somehow solved *prior to* pricing.

Ricardo himself may be partly responsible for the erroneous notion to the contrary. He was prone, especially in the first chapter of his *Principles*, to assume a (lower) profit rate corresponding to a (higher) wage rate by use of the measure-of-value mechanism; next, he was prone to apply this profit rate to determine the new equilibrium cost prices that emerge following the disturbance. But Ricardo designed this procedure as a predictive device rather than as an account of process analysis. In the latter context the new equilibrium profit rate emerges *along with, and not prior to*, the new equilibrium price structure.

Earlier in this essay we approached the general issue of the relation between distribution and pricing from the perspective of the consequences of a change in the wage rate. We now approach the matter from the reverse perspective, that of the consequence upon distribution of a change in the pattern of demand for final goods.

Insofar as concerns distribution itself, it is clear that wages are treated as a (variable) price determined by demand-supply relations; Ricardian theory is not of the fixed-wage variety.<sup>40</sup> Here we must emphasize that the analysis proceeds at the aggregate level, labor demand being represented by part of the capital supply, and labor supply by the work force; it is the average wage that is at stake not the wage rate paid to particular categories of workers. Now, we need to stress that Ricardo's analysis of the allocative effects of changes in the pattern of demand is limited in exactly the same way as in Adam Smith's formal statement in the *Wealth of Nations*. There—because of Smith's assumption of identical capital-labor ratios everywhere—such changes affect (temporarily) the factor returns in the particular industries involved, but *not* the general return and thus not the average wage. But Ricardo took an important analytical step forward in his chapter "On Machinery." Here he

introduces variations in the circulating-fixed capital division and traces out the implications for labor demand and the wage rate. If we extend generally the principles developed in this discussion, we can in no way avoid the conclusion that changes in the pattern of final demand may affect the demand for labor and thus the general wage rate) by altering the overall circulating fixed capital rate. *There are no "paradigmatic" differences between Ricardian and neo-classical theory insofar as concerns the effects upon distribution of a change in the pattern of final demand.* The notion of a sharp divorce between distribution and pricing does not stand up to close examination.

### *Ricardo, Marshallian Economics, and Resource Allocation*

But what justification is there in arguing that the differences between Ricardian and Marshallian economics do not involve matters of principle but only matters of detail? Or further, to argue that this allows a transfer from one to the other by way of minor revisions (suggested indeed by Ricardo himself)? It is clear that this constitutes a very tricky problem. For it is one of the characteristics of economic theory that different analytical models may be described in terms of one another. Thus, there is admittedly great difficulty in identifying those differences that constitute alternative simplifying assumptions (including different values accorded to the key variables) from those which constitute matters of principle. Were the assumptions of uniform factor ratios and constant commodity wages used by Ricardo over and over again *without significant exception*, the obvious implication would necessarily be that they represent features of his "basic model." In that case it would be unconvincing to argue that Ricardo "could" easily have opened his model in these respects. The objection would be compounded if the techniques of resource allocation were as scarce in his work as is commonly believed.

My position, however, is based upon a two-fold demonstration: *first*, that Ricardo, on matters of fundamental import and not merely casually, *himself* released the two simplifying assumptions; and *second*, that he *himself* applied the principles of allocation—demand-supply analysis, profit rate equalization—to a wide variety of issues in a sophisticated way. Needless to say, he did not consider *all* the possible situations where a relaxation of the two key assumptions has profound consequences, or all those that require treatment in terms of allocation theory. But, to relax the assumptions and to apply the theory of resource allocation to a broader range of issues is to follow along a route laid out by Ricardo himself, using tools of analysis provided by Ricardo. It does not imply illegitimate transfer from one general model to another; nor, to be more specific, does it

require our reading into Ricardo of a body of Marshallian theory that in reality is not there.

A further vital outcome of my analysis is that *the profit rate in agriculture does not play the strategic role in the system envisaged in the various mathematical formulations of the Ricardian system outlined above*. A number of illustrations reveal this key fact: technological improvement in the agricultural sector releases labor and capital for employment in other sectors, which are reabsorbed elsewhere with no alteration in their respective returns; the price of corn falls to the lower cost level and the return in agriculture (temporarily raised) comes back into line with the *given* general rate. Thus, despite a change in the "margin of cultivation," the profit rate remains constant. Similarly, freer corn importation leaves the general profit rate unchanged despite a contraction of the domestic margin. The process involves a fall in the price of corn and the transfer of resources to the manufacturing sector with no effect on the general profit rate. Precisely the same argument holds for the case of a corn-export subsidy; indeed, much of this analysis proceeded (for simplicity) on the assumption that agriculture is a constant cost industry, so that after expansion the corn price falls to the *original* cost level.

Now Ricardo certainly insisted that if the price of luxury goods (silks, velvets, etc.) rose there would be no effect on profits "for nothing can affect profits but a rise in wages; silks and velvets are not consumed by the labourer, and therefore cannot raise wages."<sup>41</sup> But this is a quite separate analytical issue. Ricardo himself tried hard to keep the issues separate. Thus, he recognized the possibility that technical change might reduce the cost and price of corn and yet leave "money" wages unaffected—in which case the profit rate remains unchanged (although the commodity wage rises).<sup>42</sup> Similarly, an increase in the price of corn might leave the money wage unchanged with laborers reducing their consumption of other goods (in which case the profit rate is again unaffected).<sup>43</sup> With such a wide variety of possibilities it is quite essential not to confuse the effects on the profit rate induced by a change in the margin of agriculture itself—and I argue there are none—and the effects of a change in the price of corn working upon the general profit rate by way of money wages. It is only the attribution to Ricardo of a fixed (real) wage assumption that precludes this essential distinction.

### *Ricardo vs. Walras's Critique*

We are also in a position to examine the validity of Léon Walras's criticism of Ricardian procedure. Walras's complaint, it will be recalled,<sup>44</sup> was that the Ricardian system is *underdetermined*, even if rents are excluded from selling prices and wage costs are assumed

given. The equation relating selling price to the sum of wage and interest charges cannot determine price unless interest charges are known, while interest charges are themselves determined by the difference between the unknown selling price and wage costs. Dmitriev's defense of Ricardo turned precisely upon the property that I have excluded, namely, that the general profit rate is yielded by that cost equation pertinent to the wage-goods sector, independently of all the other equations (provided the real wage is given the system is a determinate one).

My defense of Ricardo against Walras's charge runs along completely different lines. The simple point is that Walras failed to recognize the key role played by *demand* in the Ricardian system. Marshall was well aware of this characteristic and went out of his way to make the point in his defense of Ricardo against the strictures of Walras, W.S. Jevons, Carl Menger and others. Marshall, in fact, found Ricardo's formulation preferable to that of Jevons, who "substitutes a catena of causes for mutual causation." Ricardo's doctrine "though unsystematic and open to many objections, seems to be more philosophic in principle and closer to the actual facts of life."<sup>45</sup> Unfortunately, "Jevons's criticisms of Ricardo achieved some apparently unfair dialectical triumphs, by assuming that Ricardo thought of value as governed by cost of production without reference to demand"—a "misconception of Ricardo . . . doing great harm in 1872,"<sup>46</sup> and one, we may add, still prevalent a century later.<sup>47</sup>

In the light of these and related considerations it would appear that the contrasts between Ricardian and neo-classical procedures are not such as to justify the notion of a "dual development" or two separate streams of nineteenth-century thought.<sup>48</sup> To say this is not, however, to suggest an *identity* of procedure and certainly not an identity of preoccupation. *It is to suggest rather the sharing of a common heritage or "central core," which amounts largely to allocation theory and mechanisms of demand-supply analysis.*

## V. Marx and Ricardo

I turn next to Marx. As noted above, the conception of a solution to distribution *prior* to pricing characterizes much of the literature relating to Marx. I believe that the same kind of argument that I have made against this interpretation in Ricardo's case applies here also: the relationship between distribution and pricing that Marx had in mind was precisely that which characterizes standard Ricardian theory. And in Marx's case too the erroneous interpretation flows both from the attribution to him of a fixed-wage assumption and from a methodological complexity that almost precisely parallels that discussed above regarding Ricardian procedure.

The problem flows from the organization of *Capital* in terms of a sequence of volumes, the first based on the labor theory and the third based on prices of production—the famous “transformation” procedure—that suggests a solution to distribution in the “value” scheme *prior* to pricing. But Marx was concerned here, I would argue, with the “interpretation” of the source and nature of non-wage income and not with process analysis. The causal linkages of his system, particularly the distribution-pricing nexus, turn out to be identical with those of Ricardo’s system. Specifically, the rate of surplus value or “exploitation” (which implies the wage rate) and the profit rate are both treated by Marx as *variables* (not as *data* in the analysis of pricing), whose levels are yielded as part of a general-equilibrium solution. There is no way of ruling out the potential effect of changes in the pattern of demand for final goods upon the rate of surplus value and thus upon profits.

The *rationale* for Marx’s precise procedural exposition in *Capital* is of particular interest. In general terms, Marx operated on the methodological rule that “all science would be superfluous if the outward appearance and the essence of things directly coincided.”<sup>49</sup> To have outlined orthodox analysis first would have been handing hostage to fortune; the ground had to be safely prepared to assure that readers would not draw “erroneous” conclusions from observation of the characteristics of the competitive general-equilibrium system. Marx had in mind primarily the source of profits. He isolated this source in surplus labor time —by which he implied that the capitalist had a “personally functionless role.”<sup>50</sup> My main point is, however, that Marx in no way intended a *causal dependency* of the price scheme upon values.

There is indeed much in *Capital* regarding the potential consequences of changes in the pattern of final demands. But it would be unjustified to play down Marx’s profound conviction that:

‘the social demand,’ i.e., the factor which regulates the principle of demand, is essentially subject to the mutual relationship of the different classes and their respective economic position, notably therefore to, firstly, the ratio of total surplus-value to wages, and secondly, to the relation of the various parts into which the surplus-value is split up (profit, interest, ground-rent, taxes, etc.)

That demand patterns were seen to be essentially governed by income distribution, Marx concluded, meant that “absolutely nothing can be explained by the relation of supply to demand before ascertaining the basis on which this relation rests.”<sup>51</sup> The fact, however, that the primary determinants of tastes must be sought in the sphere of income distribution—which, in turn, is subject to constraints imposed by the social, political, and legal environment—in no way removes the necessity of appreciating how the capitalist system accommodates itself to disturbances, should they occur, in commodity or labor markets. To assume otherwise is to

imply a totally sterile model. Marx never imposed upon himself so limited a frame of reference, for he did deal explicitly both with the effects of a change in the pattern of final demands (albeit in an incomplete analysis), and with those of a change in the wage rate. The following passage provides further evidence of a far greater degree of flexibility in Marx's vision than is so often attributed to him:

It would seem, then, that there is on the side of demand a certain magnitude of definite social wants which require for their satisfaction a definite quantity of a commodity on the market. But quantitatively, the definite social wants are very elastic and changing. Their fixedness is only apparent. If the means of subsistence were cheaper, or money-wages higher the labourers would buy more of them, and a greater social need would arise for them, leaving aside the paupers, etc., whose 'demand' is even below the narrowest limits of their physical wants . . . The limits within which the need for commodities in the *market*, the demand, differs quantitatively from the *actual social need*, naturally vary considerably for different commodities; what I mean is the difference between the demanded quantity of commodities and the quantity which would have been in demand at other money-prices or other money or living conditions of the buyers.<sup>52</sup>

## VI. Sraffa and Ricardo

Marx, on my reading, is a "Ricardian" theorist. By contrast, Sraffa is *not*. In Ricardo's scheme, re-establishment of an equilibrium system of relative prices following (for example) a variation in wages occurs by way of changes in output (allowing for the condition of equality between quantities demanded and supplied in commodity markets). In Sraffa's model, by contrast, there is no process analysis: re-establishment of equilibrium following a disturbance requires that the condition of profit-rate equality be satisfied, but nothing is said about the mechanism of adjustment; indeed, marginal adjustments are positively ruled out. The condition is, as it were, simply a mathematical prerequisite. Sraffa, unlike Ricardo, thus turned his back on Smithian process analysis. According to process analysis, re-establishment of equilibrium entails reactions by capitalists to profit-rate differentials, and they are manifested in expansions or contractions of the various industries.

We come now to a further fundamental difference between the two structures. Sraffa does not provide a theory of distribution; one of the distributive variables must be given exogenously. However, a brief hint of great interest is given as to the most promising mode of procedure:

The choice of the wage as the independent variable in the preliminary stages [of Sraffa's work] was due to its being there regarded as consisting of specified necessities determined by the physiological or social conditions which are independent of prices or the rate of profits. But as soon as the possibility of variations in the division of the product is admitted, this consideration loses much of its force. And

when the wage is to be regarded as 'given' in terms of a more or less abstract standard, and does not acquire a definite meaning until the prices of commodities are determined, the position is reversed. The rate of profits, as a ratio, has a significance which is independent of any prices, and can well be 'given' before the prices are fixed. It is accordingly susceptible of being determined from outside the system of production, in particular by the level of the money rates of interest.<sup>53</sup>

Now, this whole problem does not arise in Ricardo's theory for *neither the profit rate nor the wage rate appear as data of his analysis*. The wage rate is a *variable* determined by the general system of demand and supply relationships in the labor market, while the profit rate is merely a *formal* residual, since there exists a mutual dependency of the one upon the other. In short, Ricardo's model involves the use of something akin to the equilibrium conception of marginalist theory in the context of distribution. This is clearly implied in Ricardo's following statement:

I should think it of little importance whether the profits of stock or the wages of labour, were taxed. By taxing the profits of stock, you would probably alter the rate at which the funds for the maintenance of labour increase, and wages would be disproportioned to the state of that fund, by being too high. By taxing wages, the reward paid to the labourer would also be disproportioned to the state of that fund, by being too low. In the one case, by a fall, and in the other by a rise of money wages, *the natural equilibrium between profits and wages would be restored.*<sup>54</sup>

*I conclude that Sraffian theory stands apart from the Ricardian tradition.*

## VII. The Longevity of Ricardianism

A careful study of the reception of Ricardo's theorem on distribution shows that a firm and positive impression was left on the work of a number of authors normally regarded as "dissenters" *par excellence*—including T.R. Malthus, Samuel Bailey, Robert Torrens and Mountifort Longfield. This was the case despite their frequent formal criticisms of Ricardo and his followers and their declared objective to break new ground, or at least to refute the merit of Ricardo's divergencies from the *Wealth of Nations*.<sup>55</sup> It is also clear that the current practice of minimizing the adherence of J.R. McCulloch, J.S. Mill and Thomas De Quincey to Ricardianism—placing them in Smith's camp as far as concerns the theory of value and distribution—is unjustified.

On the whole, the quality of the dissenting literature is disappointing. Much of the work reflects nothing but an unwillingness or inability to recognize different possible meanings of a word when used by different writers, or by the same writer in different contexts. The literature is also replete with sham controversy regarding the "cause" of various phenomena such as rent and values. This reflects,

in turn, a failure to distinguish between the data and the variables of a model, and between interdependent, atemporal and nonsequential models and temporal, sequential models.

If *substantive* matters relating to the fundamental theorem on distribution and its foundation in value theory are isolated, it then becomes clear that there was no rapid decline in Ricardo's authority. His revisions of Smithian theory constituted by and large a "success" in terms of acceptance by his immediate successors.<sup>56</sup> These conclusions regarding the longevity of the basic Ricardian theory will appear less surprising than on a first view if we bear in mind that the relativity dimension of value—reflecting the mechanisms of allocative adjustment—played a key role in Ricardian procedure. Ricardo was attempting to *correct* Smith on the latter's home ground.

My investigation of the reception of Ricardian theory also suggests that many of the contributions of the dissenters would not have been considered objectionable by Ricardo. In many important instances the post-Ricardian critics simply misinterpreted Ricardo. Malthus believed, quite erroneously, that Ricardo maintained his cost theory of exchange value as an *alternative* to demand-supply theory, and that he had rejected Smith's demand-supply treatment of the labor market. Both Malthus and Longfield asserted, without justification, that in Ricardo's system rising capital with population unchanged leaves the profit rate unaffected—that the only cause of falling profits was resort to inferior land.<sup>57</sup> In his famous critique Samuel Bailey made the outrageous charge that Ricardo failed to appreciate the relativity dimension of exchange value.<sup>58</sup> Nassau Senior's objection to Ricardo (adopted also by Bailey and T.P. Thompson)—that to say "it is the price of [the] last portion of corn, which governs that of the remainder, is to mistake the effect for the cause"—and his adoption, as an *alternative*, of a demand-supply or "monopoly" explanation, fall into the same category.<sup>59</sup> The fact is that the Ricardians—and to a considerable degree Ricardo himself confirms the point—anticipated much of the *substantive* argument of the "critics."

That the Ricardians—even Ricardo himself in the earlier cases—were able to see eye to eye with much of the apparently critical work on value by "dissenters" can be easily accounted for. Ricardo did not envisage his cost of production theory as an *alternative* to supply-demand analysis. On the other hand, the majority of "dissenters" continued to emphasize the cost determination of price. This is true of Bailey and Longfield, both of whom spoke of production costs as the main consideration in price determination. Longfield's analysis of *changes* in relative prices emphasized, as did Ricardo, variations of the labor input; and here too was seen to lie the justification of a labor measure.

What, however, of W.F. Lloyd's famous contribution to marginal utility?<sup>60</sup> In this context the recent researches of Dr. Marian Bowley are particularly pertinent. As she puts the matter, "no revolutionary significance" was attached to discussions of the law of diminishing marginal utility and related conceptions. Moreover, "these contributions did not affect the main classical conclusions as to the nature of market and natural prices and their determination."<sup>61</sup> This is quite convincing. While Ricardo's main interests lay in long-run price determination, his economics hinged upon the operation of the competitive mechanism involving demand-supply analysis. His rejection of demand-supply theory did not apply to the particular version elaborated by Longfield, and Longfield himself appreciated Ricardo's objections to the "indefinite" and "vague" expression "proportion between the demand and supply" as unhelpful in the prediction of market price.<sup>62</sup> Furthermore, Lloyd's analysis of marginal utility is not inconsistent with a cost or even a labor theory, *and was not so envisaged by Lloyd himself*: "if labour becomes more effective, so that commodities of all kinds shall be produced in a degree of abundance greater in proportion to the wants of mankind, all sorts of commodities, though exchangeable in the same proportions as before for each other, could be said to have become less valuable."<sup>63</sup> This statement is quite consistent with a cost or labor theory of exchange value.

To what extent may the conception of interest as a return to "abstinence" developed by G.P. Scrope, Samuel Read and Nassau Senior be interpreted as a sharp break with Ricardian procedures?<sup>64</sup> To what extent would Ricardo have objected to an analysis of the precise nature of the savings supply function? The conception in Ricardo's work of profits as residual is, I believe, little more than a formal consequence of the implicit presumption that the only contractual payment is that made to labor. There can be no doubt that Ricardo recognized the necessity of interest in the limiting case. More importantly, he took into account the effect of a declining profit rate on accumulation. It is true that he gave no *name* to the effect, but it is by no means certain that he would have objected to the investigation of the time preference notion that the so-called "dissenters" insisted upon. John Stuart Mill found no difficulty in subscribing at one and the same time to the inverse wage-profit relationship *and* to the abstinence conception.

It is true that as one illustration of what he called Mill's "eclectic syncretism" Marx referred to the fact that Mill "accepts on the one hand Ricardo's theory of profit, and annexes on the other Senior's 'remuneration of abstinence.' He is as much at home in absurd contradictions as he feels at sea in the Hegelian contradiction, the source of all dialectic."<sup>65</sup> But there does *not* appear to be good reason in logic to avoid the simultaneous adoption of a concept of profit

envisaged as a formal residual arising from surplus labor time, and the abstinence theory; the one is the basis for investment demand, while the other relates to capital-supply conditions and contributes therefore to the actual determination of surplus labor time. Marx did not succeed in his fundamental objective to demonstrate, by his preliminary formulation in *Capital* of a value structure, that the capitalist has a personally functionless role.

What, finally, of the widespread application of market demand-supply analysis to long-run wage determination, as for example by Malthus, Longfield, Torrens, Read, Scrope and Senior? Here, too, there occurred no break-away. The story would be a different one were it the case, as is apparently quite generally believed, that the subsistence wage played a key role in Ricardo's work, not only in the context of his growth model but also in basic applications such as wage taxation. But this is far from an accurate perspective. Ricardo's model was a growth model in the true sense—with wages and profits *above* their respective minima, which become relevant only in the stationary state.

### VIII. The Marxian Interpretation of the Dissension: A Critical View

It was Marx's position, as we have mentioned, that while the labor writers of the 1820s drew upon Ricardo's value theory to reach their conclusion regarding labor's right to the whole produce, they rejected these elements of the Ricardian structure that allowed a positive role to capital. Now, the record suggests that the first part of the argument—at least as far as concerns the works of Piercy Ravenstone, William Thompson and Thomas Hodgskin (the best known of the labor writers of the decade in question)—cannot be substantiated at all: they made no use whatever of Ricardo's labor theory.<sup>66</sup> Hodgskin (unlike the others) did, however, use other aspects of the doctrine—the inverse profit-wage relation, the subsistence wage and the differential rent conception. But his usage, it can be shown, was an ironical one; he himself was unconvinced by their merit. There is more to the second strand to Marx's case—the socialist critique of the positive role attributed to capital by Ricardo. Yet Marx understates the strength of the "socialist" objections. The fact is that it is difficult to imagine a stronger critic of Ricardianism than Hodgskin. He condemned it as an apologia for the institutional *status quo*—a defense of the capitalist as well as landlord. He read it as a justification for the contemporary distribution of income; and on his reading, it failed to bring to light class conflicts. Last, he rejected its pessimistic underpinnings even as characteristic of contemporary society. Hodgskin's opposition is quite evident despite the formal use that he made on occasion of aspects of Ricardian theory.

The vehement anti-Ricardianism of the labor writers—particularly Hodgskin—makes it very difficult to believe that the dissenters could have reacted against a dangerous *use* of the orthodox doctrine for socialistic ends. We must not, of course, entirely rely upon circumstantial evidence, particularly in the light of passages that, taken in isolation, indicate a dependence on certain Ricardian conceptions (though positively not Ricardian value theory). It is always possible that the dissenters failed to recognize the hostility towards Ricardian doctrine on the part of the labor writers. I can, however, find no evidence that any link was defined such as that specified by the Marxian historians.<sup>67</sup> The position that labor is responsible for all wealth was attributed by Samuel Read to Ricardo, Smith and Hodgskin. But, while Smith was treated less harshly than either Hodgskin or Ricardo, no relationship whatsoever is drawn between the latter two, who are treated apart. G. Poulet Scrope included Malthus in his list of culprits as well as Smith, Ricardo, and Hodgskin. Richard Whately directed his critical attention at McCulloch and James Mill for their reduction of capital to accumulated labor and their opinion that “time is a mere word,” but neither he nor Scrope linked the socialists with Ricardian theory. Mountifort Longfield, who also alluded to Hodgskin, also does not suggest any such connection. To the extent that the dissenters believed that Ricardo’s analysis of value (particularly as interpreted by McCulloch and James Mill) justified the notion of interest as an “exploitation” income, their objections did not follow from any dangerous use that they believed the socialists were making of the theory.

The notion of class hostility providing a handle for the anarchists, supposedly engendered by Ricardo’s theory, was, however, a central complaint of one of the most faithful of Ricardo’s followers—Thomas De Quincey. Writing in the *Logic of Political Economy*, not of value theory or the inverse wage-profit theorem, but of Ricardo’s minimization of technological progress and the consequent emphasis upon continuously rising rent, De Quincey complained:

And it happens (though certainly not with any intentional sanction from so upright a man as David Ricardo) that in no instance has the policy of gloomy disorganising Jacobinism, fitfully reviving from age to age, received any essential aid from science, excepting in this one painful corollary from Ricardo’s triad of chapters on Rent, Profit and Wages. . . . The class of landlords, they urge, is the merest realisation of a scriptural idea—*unjust men reaping where they have not sown*. They prosper . . . by the ruin of the fraternal classes associated with themselves on the land. . . . The noblest order of men amongst us, our landed aristocracy, is treated as the essential scourge of all orders beside.<sup>68</sup>

The supposed connection did not lead De Quincey to seek for an alternative structure.

I come now to a feature of the record that on first sight may seem an extraordinary paradox. Scrope—the first of the abstinence writers—was fundamentally opposed to Ricardianism *because that doctrine, he believed, lent itself to social apologetics* and this, in part, because of its neglect of the implications of income distribution for social welfare. (The same can be said of Read.) Scrope, in short, was a reformer who saw in orthodox doctrine a rock upon which proposals for social improvement must inevitably be destroyed. The parallels between Scrope and William Thompson, in their attitudes to Ricardo, are quite remarkable. Longfield, too, adopted for his time an exceptionally progressive position.<sup>69</sup> To this extent Marx's interpretation seems to be the exact reverse of the actual course of events.

My reading also has clear implications for an interpretation of the bourgeois dissent that is subtly different from that which turned on the use made of Ricardo's theory by the labor writers. It is the argument, sometimes offered as an alternative and sometimes as an additional consideration, that the bourgeois economists found the Ricardian doctrine unable to serve as a *convincing reply* to the labor writers. As Meek formulated the proposition: Scrope, Read and Longfield "tended towards the idea that if a doctrine 'inculcated pernicious principles,' if it denied that wealth under free competition was consigned to its 'proper' owners, or if it could be so interpreted as to impugn the motives or capacity of the Almighty, then that doctrine must necessarily be false."<sup>70</sup> Now, in considering this matter we must ask to what end did the dissenters seek to reply to the labor writers? It was positively not to the end of justifying contemporary capitalism, as is implied by the hypothesis. Provided that this fundamental correction of the record is recognized, we may allow that several major dissenters expressed their dissatisfaction with specific aspects of Ricardianism, in particular, with its supposed implications regarding class conflict and its supposed "pessimism."<sup>71</sup>

The record is a complex one indeed. We must make allowance for the fact that Longfield cannot be classified as a thoroughgoing opponent of Ricardo. He retained enough of the Ricardian framework for it to be more accurate to say that he actually *used* the orthodox doctrine in making his reply to the radicals; and this he did partly by interpreting it in a manner that avoided the criticism that it portrayed a picture of class warfare, and partly by his analytical innovations.

James Mill should also be kept in mind. His loyalty to Ricardo has never been questioned, but his hysterical response to Hodgskin was sharper than that of any of the dissenters. Mill evidently did not believe that the standard Ricardian position failed to provide an adequate response to the radical challenge; and he saw nothing in

that position—even in the labor theory as interpreted by himself—that served the purposes of the socialists. The episode in question commences with Mill's complaint to Francis Place about a working-class deputation to the editor of the *Morning Chronicle*:

Their notions about property look ugly; they not only desire that it should have nothing to do with representation, which is true, though not a truth for the present time, as they ought to see, but they seem to think that it should not exist, and that the existence of it is an evil to them. Rascals, I have no doubt, are at work among them. . . . The fools, not to see that what they madly desire would be such a calamity to them as no hands but their own could bring upon them.<sup>72</sup>

It was Hodgskin's *Labour Defended*, Place explained to Mill, which the laborers were preaching. In the following year Mill informed Brougham:

The nonsense to which your Lordship alludes about the rights of the labourer to the whole produce of the country, wages, profits and rent, all included, is the mad nonsense of our friend Hodgskin which he has published as a system, and propagates with the zeal of perfect fanaticism. . . . These opinions, if they were to spread, would be the subversion of civilized society; worse than the revolutionary deluge of Huns and Tartars.<sup>73</sup>

*Clearly there is no self-evident relationship between a body of economic theory and the social attitudes of the economist subscribing to it. All the evidence so far presented points to this conclusion. I close my argument by observing that the existence of positive contributions to theory on the part of some of the labor writers carries the same implication. This is very apparent in Thompson's case. His discussion of value involves an impressive number of "non-Ricardian" features. For example, the conceptions of differential land use, alternative cost, and scarcity value are discussed. He defines and uses the principle of diminishing marginal utility together with the principle of increasing marginal disutility of effort, in an attempt to define an equilibrium wage rate. It is also used in calculating the efforts of income redistribution.<sup>74</sup> The significance of free exchange is clearly expressed in utility terms: "All voluntary exchanges of the articles of wealth, implying a preference, on both sides, of the things received to the thing given, tend to increase the happiness from wealth, and thence to increase the motives to its production."<sup>75</sup> While labor is said to be the sole measure of value, it is not an *accurate* measure in the light of changes in preference patterns over time. This leads Thompson to conclude that to seek an accurate measure of wealth is "to hunt after a shadow"<sup>76</sup>—as clear-cut a criticism as any by Bailey. In Hodgskin's case, what stands out is his emphasis upon synchronized activity. In an *Economist* review of 1854, this is elaborated in terms of the mutual exchange of valuable services.<sup>77</sup> These conceptions, when found in the dissenting literature, are often seen as indicating, in some sense, an apologetic justification of free-enterprise capitalism. □*

## FOOTNOTES

Full citations for works listed in the Footnotes may be found in the Bibliography.

1. J.A. Schumpeter, *History of Economic Analysis*. Schumpeter's position is much the same, in its essentials, as that of F.H. Knight, *On the History and Method of Economics*, pp. 37-88.
2. Knight, *History and Method of Economics*, p. 41. Cf. Schumpeter, *History of Economic Analysis*, p. 568: while "Professor Knight went perhaps too far if he accused Ricardo of not having seen the problem of distribution as a problem of valuation at all . . . it is true that Ricardo failed to see the explanatory principle offered by the valuation aspect." Cf. p. 543n.: "The full implications of the fact that capitalist distribution is a value phenomenon are not clearly seen even by Ricardo."
3. Schumpeter, *History of Economic Analysis*, p. 569.
4. Schumpeter, *History*, p. 680n., pp. 589-90, p. 568. See also Schumpeter, *Economic Doctrine and Method*, pp. 196-7; and Knight, p. 40.
5. Schumpeter, *History of Economic Analysis*, pp. 600-1. See also p. 592.
6. Schumpeter, *History*, p. 474; cf. p. 568, p. 673n. See also p. 560: the rejection of the labor-quantity theory by the non-Ricardians and anti-Ricardians of the 1830s, Schumpeter contends, "shows again that the Ricardian teaching was really in the nature of a detour." Keynes too implied that Ricardianism constituted a "detour" (although his position is limited to the issue of aggregative demand and falls therefore into an entirely separate category): "One cannot rise from a perusal of [the Malthus-Ricardo] correspondence without a feeling that the almost total obliteration of Malthus' line of approach and the complete domination of Ricardo's for a period of a hundred years has been a disaster to the progress of economics." *Essays in Biography*, pp. 140-1.
7. Schumpeter, *History of Economic Analysis*, p. 465.
8. Schumpeter, *History*, p. 918.
9. Maurice Dobb, *Theories of Value and Distribution Since Adam Smith*, 44f., p. 112f. Cf., R.L. Meek, "Value in the History of Economic Thought," *History of Political Economy* 6 (Fall 1974): pp. 250-1.
10. Dobb, *Theories of Value*, p. 115; cf. Meek, "Value in the History of Economic Thought," p. 250.
11. Dobb, *Theories*, pp. 115-6.
12. Cf. Dobb, *Theories*, p. 35: "income-distribution (e.g. the profit-wage rate) was a pre-condition of the formation of relative prices." See also p. 169, p. 261, p. 266.
13. Luigi L. Pasinetti, *Growth and Income Distribution: Essays in Economic Theory*, pp. 43-4. See also Alessandro Roncaglia, *Sraffa and the Theory of Prices*, p. 119f; Dobb, *Theories of Value*, p. 261.
14. Editor's Introduction, *Works and Correspondence of David Ricardo*, ed. Piero Sraffa (Cambridge, 1951-1973), I, xxxi. Recall that "corn" refers to what we today call "grain."
15. Luigi L. Pasinetti, *Growth and Income Distribution*, p. 2.
16. The profit rate  $(r) = f'(\bar{N}) - 1$ ; where  $\bar{x}$  is the given corn wage and  $f'(\bar{N})$  the marginal product of labor in corn production. Obviously, as the marginal product of labor rises or falls, the profit rate  $(r)$  rises or falls because the corn wage is assumed to be fixed.
17. See the Biographical Note by D.M. Nuti in V.K. Dmitriev, *Economic Essays on Value, Competition and Utility*, pp. 29-32.
18. Cf. Léon Walras, *Elements of Pure Economics*, pp. 424-51: "It is clear . . . that the English economists are completely baffled by the problem of price determination; for it is impossible for [interest charges] to determine [price] at the same time that [price] determines [interest charges]. In the language of mathematics one equation cannot be used to determine two unknowns."
19. Alfredo Medio, "Profits and Surplus-Value: Appearance and Reality in Capitalist Production," in E.K. Hunt and J.G. Schwartz, *A Critique of Economic Theory*, pp. 330-1.
20. Medio, pp. 340-1.
21. Dobb, *Theories of Value*, p. 148. There is some ambiguity attached to this kind of conception for it is not always clear whether temporal priority or causal priority or both are intended by the "prior" solution to distribution. But in at least one important formulation temporal as well as causal priority is explicitly attributed both to Ricardo and Marx. Cf. R.V. Eagly, *The Structure of Classical Economic Theory*.
22. Roncaglia, *Sraffa and the Theory of Prices*, p. xvii, p. 117, p. 98.
23. Roncaglia, pp. 16-7, p. 98, p. 32.
24. Schumpeter, *History of Economic Analysis*, p. 478.
25. See also F.W. Fetter, "The Rise and Decline of Ricardian Economics," *History of Political Economy* 1 (Spring 1969). As explained above, Schumpeter considers this procedure to be in conflict with "general equilibrium" analysis; I do not.
26. D.P. O'Brien, *J.R. McCulloch: A Study in Classical Economics*, pp. 402-3. The treatment of the invariable measure of value, which is said to be "central to Ricardo's system," we are told "never interested McCulloch at all." (O'Brien, p. 146).
27. P.W. Groenewegen, *Economic Journal* 83 (March 1973): 193.
28. Schumpeter, *History of Economic Analysis*, p. 529.
29. *Grundrisse: Foundations of the Critique of Political Economy* (1857), p. 883.
30. Dobb, *Theories of Value*, p. 122. But see the position of Pedro Schwartz, *The New Political Economy of John Stuart Mill*, pp. 16-7 which places Mill more firmly in the Ricardian tradition at least as far as concerns analysis.
31. Marx, *Theories of Surplus Value*, III, p. 238.
32. Marx, *Theories*, p. 260.

33. Marx, *Theories*, p. 266. That the roots of British socialism are to be traced to Ricardo's economics was later urged in Anton Menger's *The Right to the Whole Produce of Labour* and by H.S. Foxwell in his Introduction to that work: "Whatever qualifications Ricardo may have made in his own mind, ninety-nine readers out of a hundred took him literally, and the main impression left by his book was that while wealth was almost exclusively due to labour, it was mainly absorbed by rent and other payments to the unproductive classes." (H.S. Foxwell, "Introduction" to Anton Menger, *The Right to the Whole Produce of Labour*, pp. xl-xlii).
34. There is an extensive literature adopting this perspective. Élie Halévy, *Thomas Hodgskin*, pp. 180-1 emphasizes the opposition of the socialists to the Ricardians but at the same time insists upon their dependency on Ricardo's value theory: "the democratic opponents of James Mill and McCulloch, the first working-class theorists, instead of attacking the Ricardian theory of value seized upon its principles to draw from it new conclusions and to refute, by a form of reductio ad absurdum, Ricardo's political economy." See also Halévy, *The Growth of Philosophic Radicalism*, pp. 223-4: William Thompson (and Hodgskin) "draw inspiration" from Ricardo.
- Similarly, G.D.H. Cole refers to Hodgskin's work as the "working-class answer" to Malthus and Ricardo, and to his "critique of the orthodox economics of Ricardo and his school." (See Cole's Introduction to Thomas Hodgskin, *Labour Defended Against the Claims of Capital*, pp. 10-11.) But he also writes, regarding both Hodgskin and Thompson, of their "deductions from Ricardian assumptions" and their "inversion of the Ricardian economic system . . . [in] essence, their deductions from Ricardian assumptions are the same." As Hodgskin argues in his book, "if it is admitted—and Ricardo admits it—that labour is the source of all value, then clearly all value belongs to the labourer, who should receive the whole product of his work." (Cole, p. 12). See also Cole, *A History of Socialist Thought*, I, p. 106.
- Max Beer, *A History of British Socialism*, I, p. 154, draws the relationship in these terms: "But at the same time the socialists appeared and began to make use of the Ricardian theory of value as a weapon against the middle classes and to teach Labour that not the Tory landowner but the Liberal capitalist was their real enemy. Ricardo made labour the corner-stone of his system and yet he permitted the capitalist to appropriate accumulated labour and to decide the fate of the working classes."
35. Marx, *Theories of Surplus Value*, III, p. 501.
36. Afterword to the second German edition (1873) of Marx's *Capital*, vol. I, p. 15.
37. Meek considers Ricardian theory narrowly defined in terms of the labor theory of value and the related conception that profits depend upon "the proportion of the annual labour of the country . . . devoted to the support of the labourers," or upon the quantity of labor allocated to the wage-goods sector relative to the labor force as a whole; and also other supposed standard doctrines involving future prospects and class relationships. Cf. R.L. Meek, *Economics and Ideology*, pp. 62, 67, 72-3.
38. Meek, *Economics and Ideology*, pp. 68-9, 70, 72. For much the same general approach see also Meek, "Marginalism and Marxism," *History of Political Economy* 4 (Fall 1972):500-1, and Meek, *Studies in the Labour Theory of Value*, pp. 124-5 where "the persistent rejection or dilution of the labor theory by so many economists during the late 1820s and the 1830s," is attributed to the "use (or misuse) of classical value theory by the British radical writers."
39. S. Hollander, *The Economics of David Ricardo*.
40. On this matter see John Hicks and S. Hollander, "Mr. Ricardo and the Moderns," *Quarterly Journal of Economics* 91 (August 1977):351-69.
41. Ricardo, *Works and Correspondence*, I, p. 118 (Sraffa ed.).
42. Ricardo, *Works*, II, p. 179 (Sraffa ed.). See also I, p. 388, p. 392, and Ricardo's letter to Malthus of 11 October 1816 (Sraffa ed.) VII, 78: ". . . it is probable"—not *certain*—"that with facility of production, or cheap food and necessities, profits would rise."
43. Ricardo, *Works*, I, p. 343. (Sraffa ed.) See also pp. 305-6: "the money wages of labour sometimes do not rise at all, and never rise in proportion to the rise in the money price of corn, which though an important part, is only a part of the consumption of the labourer."
44. See Section I and note 18 above.
45. A. Marshall, *Principles of Economics*, pp. 818-9. According to Jevons, "Cost determines supply; Supply determines final degree of utility; Final degree of utility determines value." *Theory of Political Economy*, p. 165.
46. Marshall, *Principles*, p. 821n. See also Marshall, p. xxxiii regarding Ricardo's doctrine which ("though obscurely expressed") "anticipated more of the modern doctrine of the relations between cost, utility and value, than has been recognized by Jevons and some other critics." See too Marshall, p. 101n. regarding Walras: "His success was aided even by his faults. For under the honest belief that Ricardo and his followers had rendered their account of the causes that determine value hopelessly wrong by omitting to lay stress on the law of satiable wants, he led many to think he was correcting great errors; whereas he was really only adding very important explanations."
47. But see H.M. Robertson, "The Ricardo Problem," *South African Journal of Economics* 25 (September 1957): esp. pp. 179f.
48. Cf. also a similar conclusion by Mark Blaug, "Kuhn Versus Lakatos, or Paradigms versus Research Programmes in the History of Economics," *History of Political Economy* 7 (Winter 1975):416-7.
49. Marx, *Capital*, III, p. 797.
50. A felicitous term by Thomas Sowell, "Marx's *Capital* After One Hundred Years" *Canadian Journal of Economics and Political Science* 33 (February 1967):71.
51. Marx, *Capital*, III, p. 178. Cf. also *Capital*, p. 191: ". . . it requires an insight into the over-all structure of the capitalist production process for an understanding of the supply and demand created among themselves by producers as such."
52. Marx, *Capital*, pp. 184-5.
53. Sraffa, *Production of Commodities*, p. 33.
54. Ricardo, *Works and Correspondence*, I, p. 226 [Sraffa's ed., (my emphasis)].
55. See my article, S. Hollander, "The Reception of Ricardian Economics," *Oxford Economic Papers* 20 (July 1977):221-57.

56. See, for this terminological usage, George J. Stigler, "The Successes and Failures of Professor Smith," *Journal of Political Economy* 84 (November 1976):1199-1213. It should be emphasized that we have been concerned with "success" insofar as concerns "professionals" in economics rather than simply "educated gentlemen." For evidence that M.P.s frequently rejected the idea of a necessary opposition between wages and profits see Barry Gordon, *Political Economy in Parliament, 1819-1823*. There is a further problem here that the inverse wage-profit relationship as interpreted by Ricardo does not represent a necessary opposition between labor and capital; allowance must be made for *misinterpretation*.
57. Malthus, *Principles of Political Economy*, 1st ed. (1820), 2nd ed. (1836); on Longfield, see his *Lectures on Political Economy* (1834) in *The Economic Writings of Mountifort Longfield* (New York, 1971).
58. S. Bailey, *A Critical Dissertation on the Nature, Measure and Causes of Value* (London, 1825).
59. Nassau W. Senior, "Report on the State of Agriculture," *Quarterly Review* 25, no. 50 (July 1821); T. Perronet Thompson, *The True Theory of Rent in Opposition to Mr. Ricardo and Others* (London, 1826), 9th edition (1832).
60. W.F. Lloyd, *A Lecture on the Notion of Value* (London, 1834).
61. M. Bowley, "The Predecessors of Jevons: The Revolution that Wasn't," *The Manchester School* 40 (March 1972):27.
62. M. Longfield, *Lectures on Political Economy*, p. 247.
63. M. Longfield, *Lecture on the Notion of Value*, p. 28.
64. G. Poulett Scrope, "The Political Economists," *Quarterly Review* 44, No. 87 (Jan. 1831); and *Principles of Political Economy derived from the Natural Laws of Social Welfare* (London, 1833). Samuel Read, *Political Economy: An Inquiry into the Natural Grounds of a Right to Vendible Property or Wealth* (Edinburgh, 1829); Nassau Senior, *An Outline of the Science of Political Economy* (London, 1836).
65. Marx, *Capital*, I, p. 596n.
66. Cf. the evidence presented by Professor P.H. Douglas which demonstrates that the impetus to early nineteenth-century British socialism deriving from the conception of profits and rent as "deductions from the whole produce of labour" came from the writings of Adam Smith rather than those of Ricardo. "Smith's Theory of Value and Distribution," in J.M. Clark, *Adam Smith, 1776-1926*, p. 95f.
- A similar account is given by Mark Blaug, *Ricardian Economics*, p. 148; but see Blaug, p. 143. "Unlike Gray and Thompson, who show no signs of having read Ricardo, Hodgskin derived his exploitation theory of profit directly from Ricardo's version of the profit labour theory of value."
- In her well-known monograph on the subject Esther Lowenthal questioned the legitimacy of the designation "Ricardian" socialism: "although . . . the socialist use of the labour theory followed hard on the publication of Ricardo's *Principles*, there is no evidence that the socialists were particularly impressed by his teachings. They, all of them, quote Adam Smith as their authority for the labor theory of value . . . and only Hodgskin betrays an intimate knowledge of [Ricardo's] work." (*The Ricardian Socialists*, p. 103). But Ms. Lowenthal also asserts that Hodgskin attacks the claims of capital on the basis of the labor theory of value and "bases very explicitly on Ricardo's system of economics" his position that "since labour produces all value, labour should obtain all value." (Lowenthal, pp. 73, 74-5).
- See also Schumpeter, *History of Economic Analysis*, p. 479, regarding the notion that labor is the only factor of production: "Though this proposition harks back to Locke and Smith and not to Ricardo, it is likely that the Ricardian theory of value did encourage these socialist writers and also offered suggestions to them."
67. For a position close to my own see T.W. Hutchison, *On Revolution and Progress in Economic Knowledge*, p. 240f. While Professor E.K. Hunt has recently demonstrated Hodgskin's reaction against Ricardian value theory, he nonetheless accepts Meek's general position regarding the motive for the bourgeois reaction on the grounds that "most of Hodgskin's contemporaries . . . were quick to recognize that Ricardo's labour theory of value led quite naturally to Hodgskin's theory of capital. And this undoubtedly contributed to the conservative reaction of the 1820's against Ricardo's value theory." See E.K. Hunt, "Value Theory in the Writings of the Classical Economists, Thomas Hodgskin, and Karl Marx," *History of Political Economy* 9 (Fall 1977):345.
68. Thomas De Quincey, *The Logic of Political Economy* (1844) in David Masson ed. *Political Economy and Politics*, pp. 250-1. J.S. Mill, in his review (*Collected Works of J.S. Mill*, IV, pp. 403-4) complained of De Quincey's "ultra-Tory prejudices which deformed his work, and which were particularly regrettable since he was so sound on economic theory." Mill had in mind largely De Quincey's support for the corn laws.
69. By contrast "the practical outcome of Hodgskin's inquiry seems tame, and, as often happens with anarchist essays hardly in keeping with the pretensions of the critical part of the work." Foxwell, in his "Introduction" to Anton Menger, *The Right to the Whole Produce of Labour*, p. lxiv. On the nature of Hodgskin's own reform program—more precisely its absence—see also Halévy, *Thomas Hodgskin*, pp. 125-6.
70. Meek, *Economics and Ideology*, p. 71. See also Mark Blaug, *Ricardian Economics*, p. 149; L.S. Moss, "Isaac Butt and The Early Development of the Marginal Utility Theory of Imputation," *History of Political Economy* 5 (Fall 1973):325; and M. Dobb, *Theories of Value and Distribution Since Adam Smith*, p. 110.
71. The economists sometimes had to prove their moral and religious *bona fides* and reconcile economics with Christianity to gain entry into the universities. See L.S. Moss, *Mountifort Longfield: Ireland's First Professor of Political Economy*, pp. 14-5. Also see S.G. Checkland, "The Advent of Academic Economics in England," *The Manchester School of Economic and Social Studies* (January 1951):52. But, it should be noted that the labor writers expressed themselves in much the same language. Rejecting the Malthusian principle, Hodgskin proclaimed that "moral feelings and scientific truth must always be in harmony with each other," *Popular Political Economy*, (London, 1827), pp. xxi-xxii. Hodgskin's book ends on the same theme: ". . . the science of Political Economy" will be found when perfectly known to "Justify the ways of God to man."
72. James Mill's Letter of 25 October, 1831 cited by Graham Wallas, *The Life of Francis Place*, p. 274n.
73. James Mill's Letter of September 3, 1832, also in Wallas.
74. William Thompson, *Distribution of Wealth*, pp. 71-3.
75. Thompson, p. 45.
76. Thompson, p. 15.
77. Hodgskin, *The Economist* 12 (18 November 1854):1270.

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## I

## Political Economy

Samuel Hollander's bibliographical essay on David Ricardo highlights the partisan controversies that continue to surround issues of political economy. Political economy transcends narrow economic issues, and investigates the vital interconnections of political, social and ethical concerns in human economic activity.

Our first three summaries are general in scope and theme in order to set the following summaries in a broader context. Telly's lead summary portrays the broad contours of the "classical economic model" in which influential political theorists as well as political economists—as varied as John Locke, Thomas Hobbes, David Ricardo, and John Stuart Mill—developed their ideas. This classical model stressed natural laws, individual freedom, and self-interest. Appleby's article investigates a parallel theme of the relationships between economic ideology and modernization factors. Perkin's following summary questions the opposition, in practice, between individualism and collectivism in nineteenth century socio-political and economic thought.

The following summaries then turn to more specific issues: the industrial revolution in relation to literacy and enclosures; the views of the classical economists, Smith and Ricardo, on such themes as monopoly, money, and wages; and finally, three treatments of the still vexing issue of the causes and effects of inflation, a theme also treated in section III of our summaries.

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### *The Classical Model of Political Economy*

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**Charles S. Telly**

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"The Classical Economic Model and the Nature of Property in the Eighteenth and Nineteenth Centuries." *Tulsa Law Journal* 13, no. 3 (1978): 406–507.

**A**n important contribution of economics to the idea of freedom has been the development of the so-called "classical economic model." Although some writers, such as Mark Blaug, have denied the existence of a comprehensive classical model held by all

nineteenth century economists, the general outlines of the theory are clear. The classical model assumes the existence of a society in which most resources are privately owned. Individuals bargain with each other, and the principal motivator

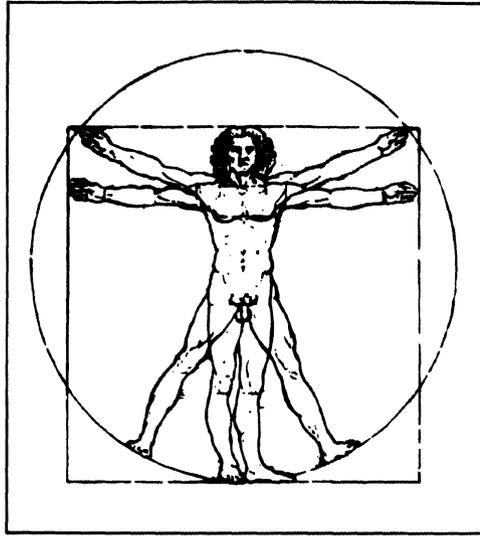
each participant is self-interest. Out of these economic interactions, an ordered society will emerge.

As is already apparent, the notion of freedom is crucial to this model. The major theorists in this classical tradition, such as Locke, Smith, and Mill, stressed that the preservation of liberty was an indispensable social precondition. For example, in *On Liberty* (1859), Mill argues that the function of society is to promote individual autonomy. Each person must be encouraged to assume responsibility for his own life, rather than become dependent on the customs favored by public opinion.

The exponents of the classical model viewed freedom as part of the law of nature. They believed that there were laws of the social world in some ways like the laws discovered by the physical sciences. These natural laws, far from being inconsistent with human freedom, demanded it as their precondition. If each person in society freely acted to promote his own interest, an "invisible hand," as Adam Smith claimed in the *Wealth of Nations* and *Theory of Moral Sentiments*, would operate to transform private good into the general welfare of society.

David Ricardo developed the theme of nature even beyond Smith's exposition. In his economic theory, Ricardo allowed virtually no role for the entrepreneur. Economic law acted in an almost mechanical fashion; the correct working out of the economic processes that Ricardo postulated did not depend on particular entrepreneurial decisions.

The view of human nature professed by the proponents of laissez-faire emphasized self-interest. Perhaps the most striking example of one version of this theory was presented by Thomas Hobbes. In Hobbes's *Leviathan* (1651), men were not only self-interested but also mutually antagonistic. By contrast, John Locke's view of human nature was substantially more optimistic and harmonious, but he also saw man as egoistically motivated. The Scottish Enlightenment thinker, Frances Hutcheson, however, affirmed a social instinct of human benevolence, a natural feeling of personal sympathy for others. Adam Smith also subscribed to this position and



believed in a natural harmony of interests.

The supporters of the classical model maintained that prices were determined by the market forces. For example, Adam Smith argued that products tended to gravitate around a "natural price," which was determined by the costs of production. This could not be determined unless the market were allowed to function freely; furthermore, in the short run, supply and demand might cause prices to differ from the natural price.

Wages, under the classical model, were similarly determined by the market. Many followers of the classical model, beginning with John Locke, assumed that wages would tend toward the level of bare subsistence, owing to pressures of population. Smith, Turgot, and Ricardo, among others, each held versions of this "iron law of wages."

The legacy of the Enlightenment, as expressed in the classical model, may be seen as a modification of the Greek doctrine of natural law. In the classical model, private property was recognized as an individual right. This private and individual perspective of rights contrasted with the ancient Greek stress upon the ends of society as a whole.

# Modernization, Ideology, and Economic Freedom

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"Modernization Theory and the Formation of Modern Social Theories in England and America." *Comparative Studies in Society and History* 20 (April 1978): 259-285.

Modernization theory has increasingly come to be seen as a failure. Its basic assumption is that societies develop from traditional to modern through evolutionary stages. Traditional societies, in this approach, tend to stress community while modern societies place more stress upon individualism, self-development, and economic growth. The basic flaw of the theory is that it does not explain how ideology changes as economic development proceeds.

In point of fact, economic development does not uniquely determine a country's ideology. This may be seen by contrasting social thought in England and America during the seventeenth and eighteenth centuries.

The development of England during the seventeenth century was characterized by the rise of a stronger central government and at the same time the prevalence of a greater degree of economic freedom. Economists of the time tended to lavish praise on the benefits of trade. The tendency is especially noteworthy in the writings of Nicholas Barbon and, of course, in the far more widely known John Locke.

After 1689, however, the direction of

British social thought changed. The Whig oligarchy in power emphasized national unity and economic growth through state direction. As measures such as the establishment of the Bank of England (1694) became law, the earlier emphasis on the benefits of trade and individualism ended. Writers now reverted to the older balance of trade theory, which stressed the need for a country to accumulate as much gold and silver as possible.

In the American colonies, the situation was different. Here centralized direction of the economy did not become the basis of an ideological movement. Government interferences with trade were bitterly resented, and American writers strongly favored individualism. For example Thomas Paine opposed social hierarchy and favored limited government. He viewed order as arising from individualism, not as something to be centrally imposed.

The contrast between Britain and America shows that economic development is consistent with different ideologies. The simple cause-and-effect relation between them assumed by modernization theory must be rejected.

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## Individualism vs. Collectivism?

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"Individualism Versus Collectivism in Nineteenth Century Britain: A False Antithesis." *Journal of British Studies* 17 (Fall 1977): 105-118.

The contrast between individualism and collectivism as themes of social reform and economic thought in nineteenth century Britain is a myth. The contrast was formu-

lated by the great Victorian liberal A.V. Dicey in his influential lectures *Law and Opinion* (1905). He distinguished three stages in attitudes toward social reform:

the period of Old Toryism, lasting to 1825 or 1830; the period of Benthamism or Individualism, from 1830 to about 1870; and the post-1870 period of Collectivism. Dicey stressed the role of ideas in accounting for the change from one period to another. Sir William Blackstone was the most influential thinker in the first period, and Jeremy Bentham in the second. Dicey did not single out a single dominant thinker for the Collectivist period.

Dicey's scheme has been criticized by the so-called Tory or organic school of British institutional history, whose members include Oliver MacDonagh and G. Kitson Clark. They emphasize that reform measures proceeded largely according to the day-to-day activities of persons holding governmental office, not according to the carrying out of ideological aims. Both Dicey and the organic school are wrong: ideology was important, although not all important.

The real mistake of Dicey is to postulate a rigid antithesis between individualism and collectivism. Individualism meant that everyone should be able to pursue his

own interests. As such, it was not viewed by most nineteenth-century thinkers as inconsistent with action by the state to protect individuals from exploitation. Specifically, acceptable forms of state intervention included: (1) the prevention of moral nuisances; (2) the enforcement of minimum standards of provision of certain services by some individuals to others (e.g., payment of wages in cash); (3) state financing for the private provision of certain services; (4) direct state provision of a service for part of the population; (5) public provision of a service, on a voluntary basis, for the whole of a population; and (6) the monopoly of essential services by the state (e.g., the telegraph system).

A great gulf stood between these types of collectivism, which most nineteenth-century writers accepted, and the nationalization of the means of production. Few favored this at all. Thus, for all but a few radicals, laissez-fairists, and socialists, there is no real opposition between individualism and collectivism in nineteenth-century Britain.

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## *The Industrial Revolution and Literacy*

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E. G. West

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"Literacy and the Industrial Revolution." *The Economic History Review* (August 1978): 369-383.

This article examines the extent and timing of literacy changes in eighteenth and nineteenth century Britain and their relationship to economic growth.

Some British historians contend: (1) that literacy deteriorated during the Industrial Revolution; (2) that growth produces literacy rather than that literacy is a prerequisite of growth (Bowman and Anderson, "Concerning the Role of Education in Development," in Geertz, ed., *Old Societies and New States*, New York, 1963, conclude that a literacy rate of 30-40 per cent was a necessary condition for a coun-

try to make a significant breakthrough in *per capita* income); and (3) that the provision of education by private interests was inadequate.

West begins by showing that the relatively high rates of illiteracy recorded in Lancashire were exceptional and were the result of the very high rate of immigration, especially from Ireland, into that county. He also shows, however, that even Lancashire lay within the 30-40 per cent range.

He then goes on to argue that the male literacy rate was stable from about 1740 to 1790 when it began to rise significantly.

Thus, despite unprecedented population increase from 1760 on, the male literacy rate in England was maintained and before half the "revolution" was over it began to increase. The date of upturn, 1790, marked the beginning also of the large-scale factory system and the widespread commercial use of steam power.

The fact that literacy started to increase as early as 1790 indicates that the means of increasing it had begun to grow too. That implies in turn that private schooling was becoming increasingly available to all classes of the population.

Turning to schooling, as distinct from literacy, West rejects the view that the schools which taught only literacy skills were not well patronized and argues that parents invested "widely and voluntarily" in a type of education which had a literary rather than a practical orientation.

He then proceeds to deal with the contention that the working class was precluded from education in the private schools and had to wait until the authorities provided "free" education. He argues that the evidence suggests that a very high proportion of all children were attending school long before schooling became free and compulsory.

The Forster Education Act was passed in 1870 but it was several years before it had any significant effect on the actual provision of schools and schooling because it took a good deal of time to establish school boards, build schools, etc. Hence its effects could not begin to be felt until well into the 1870s. Yet the evidence strongly suggests that before 1879 something of the order of 90 per cent of the population was literate.

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## *Parliamentary Enclosure and Uprooted Labor*

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Oxford University

"Enclosure and Labor Supply Revisited." *Explorations in Economic History* 15 (April 1978): 172-183.

Did the British government's parliamentary enclosure acts uproot the rural population and thus create an increased supply of labor for industry in early nineteenth century England? Marxian Maurice Dobb argued in *Studies in the Development of Capitalism* (1946) that the parliamentary enclosures did create a new mobile labor force for "capitalist" industry's needs. On the other hand, since J.D. Chamber's seminal article ["Enclosure and Labour Supply." *Economic History Review* 5 (1953): 319-343] the orthodox position has held that the government enclosures did not cause a "real flight from the countryside."

However, on non-Marxian grounds and

through empirical economic analysis of population movements in early nineteenth century England, we have substantial reasons for doubting the orthodox view of Chambers. First, Chambers's evidence is inadequate to maintain that the population increases that occurred in parliamentary enclosed villages were used in rural improvement projects associated with the enclosures, Secondly, Chambers erroneously argued that population grew more rapidly in parliamentary enclosed villages than in other villages possessing common land. And thirdly, at the county level, we find a small but positive association between government enclosure of common land and outmigration.

# Smith's Critique of Monopoly

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"The Burdens of Monopoly: Classical Versus Neoclassical." *Southern Economic Journal* 44 (April 1978): 829-849.



Whereas in classical analysis a dominant theme is the importance of promoting free trade and eradicating all forms of monopolies, modern neoclassical analysis shows that the actual cost of monopoly is very small. West argues that the modern approach is "too confined" and has become too "institutionally sterile" because it has ignored important elements in the classical critique that are equally pertinent today. Adam Smith's vigorous attack on monopolies provides the starting point of this comparison between classical and neoclassical views of monopoly.

Neoclassical analysis finds that net welfare loss to monopoly is small because most of the effect of higher monopoly price is a redistribution of income to monopolists. Those who challenge this conclusion have centered on rent-seeking activities of those who wish to capture the gain. Classical analysis is much more encompassing in its assessment of the welfare loss to monopoly. Smith specifically pointed both to rent-seeking and attempts to thwart rent-seeking as monopoly losses and also regarded the income redistribution itself as a major loss to monopoly.

Smith's attack on monopolies condemned the state protectionist system of overseas trading companies. These companies, enjoying exclusive trading rights, were subject to diseconomies of scale which included the inefficiencies of large bureaucratic management. Smith identified both the "excessive shirking" and

"inadequate monitoring" that has been noted in the modern literature on bureaucracy, and concluded that bad institutions were responsible for inappropriate employee behavior. One major diseconomy he noted was the tendency for these trading companies to export bureaucracy to the countries they traded with thereby reducing the potential gains from trade. Smith focused particularly on the losses associated with exclusive trading laws with the colonies. He argued that the cost of the monopoly to the public included not only higher prices both in the colonies and the mother country, but also the costs of policing and maintaining the colonies—defending trade routes and maintaining order—and he believed that the loss exceeded the gain.

Although the modern reader may view Smith's tendency to include all restrictions on supply as monopoly as too general for cogent analysis, West points out that Smith should be congratulated for providing a dynamic analysis which included political, constitutional, and legal factors. He was interested in the costs of "monopolizing" as well as the costs of monopoly, and monopolizing behavior will involve the law and constitution as dependent variables. This greatly increases costs of monopoly.

While many of the historical institutions about which Smith was writing have passed, we can still learn from his analysis. Smith reminds us that people use resources to change the rules of the game in their favor, but the rules are "part of the social fabric;" the system of "collective protection of private property" is vulnerable to attempt to close the market. West concludes by pointing to public education as a perfect example of monopolizing behavior which has eliminated the market to such an extent that it is no longer possible to measure the welfare loss.

## Ricardo and the "Dual Development"

**Samuel Hollander**

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"The Reception of Ricardian Economics." *Oxford Economic Papers* 29 (July 1977): 221-257.

Many historians of economic thought have argued that the economics of Ricardo was moribund by the 1830s. As a result, economics after this time developed in a dual fashion, split between the Ricardians and their opponents. Both of these contentions exaggerate the extent to which the dissenters rejected Ricardo.

The basic proposition of Ricardo's economics is the inverse relationship between profits and wages (more profits would mean less wages, and vice versa). The wage-rate is taken to be determined from outside the price-system and is measured in terms of a commodity standard of allegedly constant value, such as gold. Increases in wages, according to this view, cannot be inflationary but react only on the rate of profits. Opponents of this approach argue that to consider the wage-rate as determined outside the system is arbitrarily to reduce the number of variables for analysis.

Ricardo's contemporaries, however, did not advance criticisms of this sort against the doctrine. On the contrary, even alleged dissenters against Ricardo's system such as Mountstuart Longfield, Thomas Malthus, and Samuel Bailey all accepted

the basic Ricardian doctrine of an inverse wage-profit ratio.

Furthermore, the Ricardian school was much stronger than often pictured. Recent suggestions that J.R. McCulloch was not a full-fledged Ricardian but was more in the tradition of Adam Smith must be rejected. Similarly, Thomas DeQuincey remained a loyal expositor of his mentor, Ricardo.

The members of the supposed dissenting school of anti-Ricardians did not form a united front but often criticized one another much more than they questioned Ricardo. For example, Malthus strongly dissented from many of the propositions of Samuel Bailey. Furthermore, many of their doctrines were consistent with Ricardianism. This is especially the case as regards the long-run determination of wages by supply and demand.

Those who postulate a dual development of nineteenth-century British economics inaccurately place John Stuart Mill in the non-Ricardian camp. Mill regarded himself as someone continuing to develop the insights of Ricardo; to a large extent this could be said of almost all nineteenth-century British economists prior to Mill.

## Ricardo on Money

**Charles F. Peake**

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"Henry Thorton and the Development of Ricardo's Economic Thought." *History of Political Economy* 10 (Summer 1978): 193-212.

The importance of monetary questions in David Ricardo's economics has frequently been understated. In particular, much of Ricardo's system developed as a

response to the monetary theories of Henry Thorton (1760-1815), the English banker and parliamentarian whose book *The Paper Credit of Great Britain* studied

the link between the quantity of money, prices, and interest rates.

In 1797, the Bank of England suspended specie payments (that is, payments in gold for bank notes). This policy was defended by the London banker and economist Henry Thornton, who argued that doing so had averted a panic. Thornton's analysis, found in his influential *Paper Credit*, stressed short-run disequilibrium in the financial market. He favored a discretionary monetary policy, since he believed that this was within the capacity of the Bank of England.

Ricardo in *The High Price of Bullion* (1810) and *Reply to Bosanquet* (1811) challenged these contentions. He regarded money as neutral and conducted his analysis in real (commodity) terms. An increase in the money supply could raise

only the level of prices; it had no long-run effect on the rate of interest.

When the Bullion Committee was established to reconsider the specie payment question, Ricardo was able to influence Horner and Thornton, who were members of the committee, to adopt his own favorable view of specie resumption. Ricardo, although not the author of the committee's report in 1810, still exerted a powerful influence.

Ricardo continued his interest in monetary questions throughout his life. In particular, the *Principles* (1817) grew out of his controversy with Thornton and was not simply a response to the debates about Corn Laws. In the *Principles*, Ricardo continued his sharp separation between the goods and money sectors of the economy.

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## *Inflation and Political Crisis: Germany*

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**Larry Eugene Jones**  
Canisius College

"Inflation, Revaluation, and the Crisis of Middle-Class Politics: A Study in the Dissolution of the German Party System, 1923-1928." *Central European History* 12 (June 1979): 143-168.

The massive German inflation of the 1920s was one of the main factors responsible for the weakening of the party structure of the Weimar Republic. While both the onset of the 1929 depression and the rise of National Socialism greatly accelerated the dissolution of Germany's bourgeois parties, they did not begin the process but rather continued to intensify factors of disintegration which had been present since the foundation of the Weimar Republic. The established bourgeois parties, such as the German Democratic Party, the German People's Party, and the German National People's Party, proved unable to come up with effective programs to combat the inflation. Instead they tended to dissolve into their constituent social and economic factions.

The inflation proved particularly onerous for those on fixed incomes such as pensioners and for members of the liberal professions. Political controversy over how to handle the inflation intensified after a Supreme Court decision of November, 1923 rejected the principle that "mark equals mark" applied to fulfillment of contracts. That is to say, debts could not be settled for their nominal monetary amount; the discount in value had to be considered. The Cabinet of Cancellor Wilhelm Marx split over how to respond to this decision. One party, headed by Hans Luther, wished to disregard it on the grounds that attempts to recalculate debts would impede economic recovery. Another group wanted to respect the court's decision.

German society was also polarized by

the issue. Various groups sprang up to agitate for measures in line with special economic interests of various sorts. As the

inflation progressed, the position of the bourgeoisie worsened and the party structure became irreparably damaged.

## Inflation and Unemployment

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"Old and New Fashions in Employment and Inflation Theory." *Journal of Economic Issues* 13 (March 1979): 1-18.

Keynesian economics has proved unable to deal with the increasing rates of inflation prevalent in the U.S. economy. An approach emphasizing microeconomics is needed if the problem of stagflation is to be controlled.

A common occurrence in the history of science is that a widely accepted theory proves unable to cope with new facts. Instead of revising the theory, proponents of the dominant paradigm often deny that essential changes are needed, refusing to confront the challenge which the new data provide. Keynesian economics fits this pattern. Designed to handle the issues of the 1930s depression, it stressed aggregate spending and largely ignored problems of inflation. When inflation was discussed, Keynesian economists dealt with it only in terms of too much spending rather than with particular prices that were too high.

A major problem Keynesian theory is unable to explain concerns the simultaneous existence of inflation and unemployment, popularly termed stagflation. This is not in its origins a recent development and was in fact present in the 1930s and 1940s. Keynesianism finds this difficult to understand, since according to its view, increased spending should generate employment.

One modified Keynesian discussion of these problems has appeared in a recent book by Edmond Malinvaud. He attempts a mathematical derivation of the Keynesian theorems, but his works in large part



reduce to tautologies that ignore the important policy issues. Sidney Weintraub, the author of another recent discussion, is at least aware of the central issues of today. He points out correctly that Keynesian theory assumes that the consumers can anticipate all the effects of inflation, surely a dubious proposition. Weintraub's

analysis emphasizes wage rates as a cause of inflation, but like Keynesian theory, it overemphasizes macroeconomics.

A better way to combat inflation is to cut out the waste in government programs. Since most unemployed workers are un-

skilled, we should emphasize programs to provide specifically for this type of worker. Price and wage controls should be applied to industries that are the source of the trouble, not to the entire economy indiscriminately.

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## Government and Inflation: The McCracken Report

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"Economics, Inflation, and the Role of the State: Political Implications of the McCracken Report."

*World Politics* 31 (October 1978): 108-128.

An analysis of the problems of inflation made in the report of an influential committee headed by Paul McCracken poses important issues for democratic government. In 1975 the Organization of Economic Cooperation and Development (OECD) sponsored a committee of eight prominent economists to consider "the recent serious deterioration of economic performance" in the advanced capitalist countries. Their report, *Towards Full Employment and Price Stability* can be viewed in three dimensions: (1) as explanatory theory; (2) as policy science; and (3) as a set of largely implicit recommendations for political arrangements compatible with modern capitalism.

The main defect of the McCracken Report as an explanatory theory is that it attributes the main economic phenomena it considers to causes which it fails to define adequately. Inflation in recent years, it claims, has to a large extent been caused by political factors. Among these are increases in popular expectations, the

development of inflationary expectations, increased union militance, and the growing dependence of the U.S. economy on the international situation. Similarly, the causes of recession, such as a diminished level of public confidence, have a political origin. Yet the authors of the McCracken Report fail to analyze these political causes with sufficient care.

The report's approach to policy science is also questionable. It advocates steady growth, on the grounds that a democratic capitalistic economy cannot endure the inflationary pressures of growth at more extensive rates. This recommendation presupposes that the continuation of capitalism is desirable. This, however, is an ideological assumption which the authors of the McCracken Report ought to have defended explicitly. So far as the report's recommendations for policy are concerned, the authors give no reasons for believing that their slow growth policy has a reasonable chance of being adopted. □

## II

### Concepts of Liberty

Controversy reigns as to the nature, history, and morality of liberty. This set of summaries ranges over a wide diversity of concepts of liberty as analyzed from the perspectives of philosophy, law, history, political philosophy, and psychology. Such interdisciplinary approaches illuminate the relationship of liberty to rights, utilitarianism, individualism, legal doctrines, marriage, women's and children's status. In addition, in these summaries relating to liberty, we witness the dissenting voices of such thinkers in the liberal tradition as Locke, Coke, the American Revolutionaries, Sismondi, Mill, Thoreau, and Szasz. No less illuminating in refining our analysis of freedom are the several non-liberal voices which serve as a counterpoint in the following summaries.

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### *Liberty and Its Components*

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**W. E. Draughton**

State University of New York College at Utica/Rome

"Liberty: A Proposed Analysis." *Social Theory and Practice* 5 (Fall 1978) 29-44.

In 1955, Harvard scholar Lon L. Fuller observed that "the concept of freedom has been undergoing a progressive deterioration and dissipation of meaning." Varying definitions of "liberty," each emphasizing a particular aspect of human experience, have confused and debased this term. We need to revitalize the concept of liberty to solve policy problems.

In formulating his definition, Draughton expressly eliminates the notion of "categorical freedom," in which a person is either free or not free. Instead, he favors the idea of "comparative freedom" or "degrees of freedom." This relative view of liberty allows for a large number of interacting components, rather than the single litmus test to determine whether one is free.

One such component is choice. The more alternatives and choices, the more freedom. The notion of "option demand" in urban economics demonstrates that persons are actually willing to pay in order to widen the number of choices to the greatest degree possible. In general, people are more free as the number of acceptable options increases and the number of closed ones diminishes.

Another component in the definition of liberty is utility, which depends directly upon the values of the person who is choosing. In general, a person is more free the greater the positive utility of each open alternative and the smaller the positive utility of each closed alternative. Thus, classic "approach-approach" conflicts are situations of *low* freedom, since making

one choice also involves eliminating another choice of high utility. Degrees of utility can serve as a useful measure of the degree of freedom in a situation. Thus, a person faced with a choice of exile or hanging will feel less free than the same person having to choose between being transferred or fired.

The availability of resources (material and nonmaterial) also affect the level of one's freedom. A person making a decision on the basis of insufficient or inaccurate information experiences a limitation of resources directly relevant to his liberty. Mental and physical abilities, health, and monetary resources, all affect one's capacity to carry out decisions.

Social context is also a strong influence upon one's liberty to choose and to act. The socialization process in a particular culture, the benevolence or hostility of persons in one's environment, a precarious or secure outlook for the future—all these social factors influence the individual's faculty of choice.

Professor Draughton envisions extensive policy implications for his comparative concept of freedom. The question of what constitutes a just distribution of liberty arises since freedom now admits of limits. Thus, future public policy will aim at a general raising of the *level* of liberty and of the justice of its distribution.

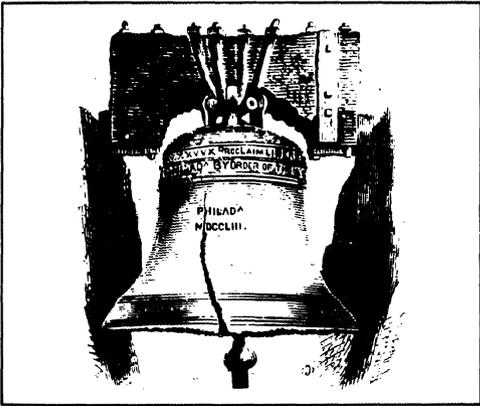
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## *Is the Right to Freedom Vacuous?*

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**Joseph Margolis**  
Temple University

"The Rights of Man." *Social Theory and Practice* 4  
(Spring 1978): 423-444.



The question of how to justify rights, particularly the right to freedom, has puzzled moral philosophy. An analysis of the views of H. L. A. Hart, an influential recent ethicist, holds that natural rights, apart from a particular political context, is a vacuous notion.

Edmund Burke strongly opposed the French Revolution's emphasis upon natural rights. He feared that the notion of natural rights might be used as a means of overthrowing government. His fear was groundless. Natural rights mandate no specific policies of government action.

We may see this if we analyze Hart's claim that the basic natural right is the "right to equal freedom." As Hart points out, we cannot conclude from this right that specific forms of government action are prohibited: the right is only a claim which may be overridden in particular instances. Rights are a "determinable" rather than a "determinate" policy: that is to say, they advance a general claim which must be filled in, in specific instances.

Furthermore, it is not certain that the right to freedom is the most basic right. One cannot have any rights without the right to life, and the notion of rights also seems to presuppose the right to equality of treatment. All of the basic rights seem interconnected.

But again, we cannot deduce any specific course of conduct from them. Rights are better considered as an elaboration and defense of the prudential maxims expressing the aims of particular societies, not truths of all time. Their use is primarily ideological.

## Liberty, Slavery, and Utilitarianism

R. M. Hare

Oxford University

"What Is Wrong with Slavery?" *Philosophy and Public Affairs* 8 (Winter 1979): 103–121.

Questions about liberty and its opposite, slavery, raise important issues in moral philosophy. Specifically, utilitarianism has often been criticized on the grounds that it might lead us to conclude that slavery was justifiable. Since everyone knows that slavery is in fact wrong, anti-utilitarians believe that this criticism refutes utilitarianism.

In reply, the method of appealing to people's rights used in the anti-utilitarian criticism is a poor one. The objection appeals to a supposed right not to be enslaved; but claims to rights, unless supported by a general theory, rest only upon particular individuals' intuitions. As such they are in essence arbitrary. If slavery is wrong, this must be shown by demonstrating that it produces more harm than good, i.e., that it is unacceptable on utilitarian grounds.

To settle the question of the harmfulness of slavery, we must first define what constitutes slavery. Two features are relevant: first, slavery is a particular *status* in society; and second, it rests upon a particular relation to a master. Slavery should be distinguished from serfdom, imprisonment, and military service.

In most cases, slavery will be prohibited on utilitarian grounds, since it clearly harms the slaves. Anti-utilitarians claim,

however, that in some cases this would not be so. For example, suppose the welfare of a large number of people depended upon the existence of a small class of slaves. Might not the happiness of the larger number outweigh the onerous consequences to the slaves?

Utilitarians have available two sorts of reply. Moral principles are supposed to apply to cases likely to occur in practice. Thus, our usual principle that slavery is wrong may not fit odd cases, such as the one suggested by the example. Although in this example slavery is morally right, this need not cause us to abandon our usual principle, since people in society would be unable to operate with a complex principle having the form "slavery is wrong—except in cases a, b, c, etc." People need an easily remembered maxim, and the side that slavery is always wrong best meets the need.

In addition, it is unlikely that, in the example allegedly justifying slavery, all of the consequences have been taken into account. Slavery has damaging psychological effects on both slave and master. When these are taken into consideration, the only instances in which slavery is likely to be justified on utilitarian grounds are those in which it is a necessary means to prevent social chaos.

## Individualism, Freedom, and Society

Marcel Gauchet

"De l'avènement de l'individu à la découverte de la société." *Annales* 34 (May-June 1979): 451–463.

"In the beginning were individuals, entities sufficient unto themselves, and, later, society, the result of their free association." This individualist ideology, whereby society represents the willed

order of autonomous human beings, has dominated Western social thought (Marxism not excepted) since the eighteenth century. With this new view, Western man effected a radical break with the

traditionalist concept of social organization—an organic whole ordained by a god or gods in which the individual (even the sovereign) must humbly fulfill his predestined role.

Some social philosophers have viewed the rise of the individual and of the idea of the social contract as a debasement of the Western view of society, a new view based upon what is essentially a myth—that of the autonomous man, unmolded and uncoerced by the social environment that surrounds him. Prof. Gauchet, on the other hand, sees the development of this myth as having created conditions favorable to a much deeper understanding of social processes.

The traditional vision of social organization offers few mysteries to ponder. God's plan is clear, the roles of persons are fixed, and the State acts to preserve divinely ordained harmony on earth. In the eighteenth century, however, a new view evolved whereby the social order maintains itself *spontaneously* through the free and self-interested actions of autonomous individuals. Nowhere was this concept more evident than in the newly developed science of economics, where countless profit-motivated transactions maintained a stable and harmonious market.

Far from devaluing the importance of society, the market view introduced the notion of invisible social laws which, while operating through the actions of individuals, had positive effects far beyond their intentions and understanding. In effect, the myth of the individual gave birth to the idea of society as a problematical servo-mechanism, whose operations could

only be fathomed by serious and toilsome study. It is therefore not surprising that, along with economics, the science of sociology traces its roots back into the eighteenth century. A seeming paradox, the concept of *Society* grew immeasurably in depth and importance through the evolving ideal of the autonomous individual.

The new conceptualization of social factors also had an unexpected influence on the political element in Western civilization. Once again, the catalyst for this change was the concept of the individual.

The nation-state, a totally original Western contribution to the field of territorial administration, bases itself upon the notion of autonomous and equal citizen-units. In contrast, the traditional state established its legitimacy upon a metaphysical hierarchy of subordination. Nonetheless, the old hierarchical view often acted as a check on the powers of the State. With its demise, there has arisen a vast governmental bureaucracy with virtually unlimited power, whose stated function is to protect the free market and the freedoms of individuals.

The modern state has carefully nurtured the idea that the individual need not submit to an overweening social order. Indeed, it has allowed him the feeling that he is totally autonomous, no longer a member of a social whole. In doing so, however, the State has acquired an administrative hegemony undreamed of in former centuries. Thus, while seemingly freeing themselves from the constraints of social power, "individuals" have, in fact, become (more than ever) subject to social coercion.

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## *Liberty and Habeas Corpus*

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Linda S. Popofsky

"Habeas Corpus and 'Liberty of the Subject': Legal Arguments for the Petition of Right in the Parliament of 1628." *The Historian: A Journal of History* 41 (February 1979): 257-274.

The debates taking place at the time of the adoption of the Petition of Right in 1628 made an important contribution to

individual liberty. Specifically, the arguments of a small group of common lawyers, led by Sir Edward Coke, in the

House of Commons rested on the assumption that the common law was inviolable. These arguments supporting legally sacrosanct human rights constitute the lasting significance of the 1628 Petition. Although the lawyers' arguments may well have relied on a questionable reading of Magna Carta and other common law precedents, their willingness to stretch the law did not lead them to advance a theory of judicial supremacy in England's government. Rather, they persisted in the traditional view that the rights of subjects and the powers of the Crown were both secured by the common law as reaffirmed by the judiciary.

The immediate occasion for the dispute arose over Darnel's Case, also known as the Five Knight's Case. The knights in question had been imprisoned by special mandate of the king for refusing to consent to a forced loan. Their lawyer, John Sel-

den, claimed that imprisoning them before indictment violated Magna Carta. By such imprisonment, persons might be condemned to "legal death," languishing in prison indefinitely without ever being brought to trial.

In the parliamentary debates on the bill, Coke and the other common lawyers attempted to tie the privileges, rights, and immunities of Magna Carta to freedom from arbitrary arrest and imprisonment before trial. After the Petition of Right was passed in 1628, the king attempted to circumvent its provisions by requiring high sureties for bail and by refusing defendants the right to be present when their petitions came up for consideration. Although the king imprisoned several members of parliament in 1629, the principles of the Petition of Right were important precedents for later legislation.

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## *Should Britain Have a Bill of Rights?*

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### **Howard Levenson**

Solicitor of the Supreme Court of Judicature (U.K.)

"Some Reflections on Civil Liberty in the English Legal System." *American Business Law Journal* 7 (Spring 1979): 1-19.

Many American lawyers find it difficult to understand how the British legal system manages to defend civil liberties without a written constitution or Bill of Rights. How could one possibly reverse executive maneuvers or repressive legislation passed by Parliament? The English system does harbor numerous difficulties in defending civil liberties. Varied arguments exist for and against the adoption of a Bill of Rights in the United Kingdom.

Mr. Levenson begins by cataloguing the stratagems employed by the British executive in order to circumvent Parliament's supremacy in government. Such ploys have often endangered civil rights in Great Britain. One such maneuver involves creating a climate of hysteria by which the government can secure the agreement of both the House of Commons

and Lords to deal with all stages of a bill in one sitting and with no amendments. In such a climate of panic, repressively inclined laws like the Official Secrets Act (1911), the Prevention of Violence Act (1939), and the Prevention of Terrorism Act (1974) were enacted within hours of being introduced.

Another favorite device of the executive is to issue Departmental Circulars which ostensibly establish mere administrative policy. These Circulars are not subject to debate in Parliament, do not enjoy the force of law, and are not binding in the courts. Nonetheless, such directives constitutes a legal precedent which is not easily overturned. For example, the limits of police power and the rights of suspects have been defined by a Home Office Circular called the Judge's Rules and Adminis-

trative Directions to the Police. Following the issuance of this directive, complaints to the Home Office concerning the admission of illegal evidence in court have often received the bland reply that all suspects are protected by the Judge's Rules. No further investigation ensues.

British performance in due-process measure up poorly against Herbert Packer's four standards for adequately rendered criminal justice: (1) the absence of *ex post facto* laws, (2) the uniform application of criminal law to all segments of the population, (3) specified limits on the powers of the government to investigate and apprehend suspected criminals, and (4) the presentation of adequate proofs of guilt. Levinson cites celebrated and uncorrected violations of each of these standards. In his view, Great Britain's often cavalier attitude toward civil liberties accounts for her very poor showing in cases brought before the European Human Rights Tribunal.

The question then arises whether civil liberties would be better protected if the United Kingdom enacted a Bill of Rights. Such a proposal has been brought forth

both by those concerned with due-process freedom of speech, etc. and by those seeking to protect private property against the ravages of further socialist legislation. It has been further suggested that Britain enact either the United States Charter or the European Convention on Human Rights as a symbol of her commitment to civil liberties on a national as well as international level.

Opponents have pointed out that both these documents have proven inadequate to the task of defending freedom in many areas of human activity. A Bill of Rights would, in addition, constitute a broad grant of power to British judges, who would impose their often narrow, class-oriented views on the whole of the nation. Also, the Bill of Rights might be subject to continual and, at times, arbitrary manipulations by Parliament, rendering it worthless as a legal instrument.

Mr. Levenson concludes that, despite the abuses he enumerates, a Bill of Rights would have a minimal impact on civil liberties in the UNITED Kingdom.

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## *Locke, Women, and Freedom*

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Mary L. Shanley  
Vassar College

"Marriage Contract and Social Contract in Seventeenth Century English Political Thought." *Western Political Quarterly* 32 (March 1979): 79-91.

John Locke solved an important problem in the political theory of seventeenth-century English liberalism. The idea of liberty involves the view that human beings are free and equal in the state of nature. This view jostled with the fact that almost all social relationships of the time were hierarchical. Specifically, the analogy between political authority and a husband's authority over his wife posed an important problem which Locke solved by developing a new analysis of marriage.

During the English Civil War, the royalist supporters of Charles I such as Sir

Dudley Digges appealed against the parliamentarian's claim that their consent to the king's acts was necessary by citing the marriage contract. Once husband and wife consented to be married, the terms of the contract were alleged to come into force irrevocably. These dictated that the husband possessed absolute rights over his wife. In like manner, the king possessed absolute authority over the people of his realm.

Parliamentarians such as Henry Parker and William Bridge tended to counterclaim that there were inherent restric-

tions upon the husband's power. For example, Bridge maintained that if a man committed adultery, his wife had the right to separate from him. The great poet, John Milton, used the analogy of marriage and politics to argue that the political bond of loyalty to the king could be dissolved. Most of the Puritans, however, were limited in the use to which they could put divorce arguments by their own conservative views on marriage.

During the reign of Charles II, James Tyrrell, a liberal writer who was a friend of John Locke's, argued against patriarchal justifications for royal power. He defended a view of marriage based on mutual consent but was ambivalent in his attitude toward women. At times he accepted the

conventional view that they were the natural inferiors of men.

A more consistent position on the marriage question was taken by the great theorist John Locke. He denied that there was an analogy between political and familial authority. So far as the latter was concerned, marriage was based on consent, and the parties might agree to virtually any terms they chose. Although there are a few remnants of male supremacy beliefs left in his work, he strikingly anticipated the opinions of later writers favoring female emancipation. This is especially so in his denial of the idea that a woman surrendered control of her property to her husband upon marriage, and in his sympathy for divorce.

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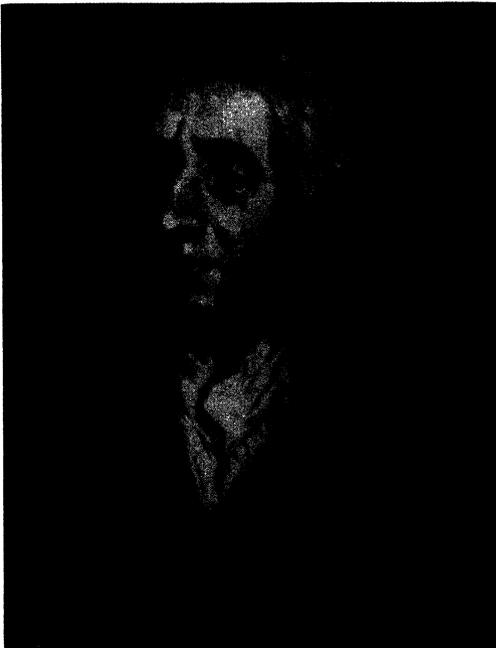
## *Locke, Women, Freedom, and Individualism*

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**Teresa Brennan and Carole Pateman**

Macquarie University; University of Sydney

"'Mere Auxiliaries to the Commonwealth': Women and the Origins of Liberalism." *Political Studies* 27 (July 1979): 183-200.



**A**n aspect of freedom neglected by political theorists concerns the place of married women. Individualist political theory, as exemplified in the work of Hobbes and Locke, developed along with the rise of capitalism. Since the position of women worsened during this period, it was relatively easy for Locke (and to a lesser extent Hobbes) to reconcile their individualist premises with a denial of married women's rights.

The problem posed for individualism by the status of married women is clear. Individualist political theory assumes that everyone is free and equal in the state of nature. There is no reason why we should restrict this principle to men. Hobbes, indeed, seems at first sight to accept this consequence. He asserts that the family is an artificial, not a natural, institution, and denies that men are so much more powerful than women in the state of nature that

they could automatically dominate them. He goes so far as to declare that mothers, not fathers, are the natural lords over babies to whom they have given birth. As Hobbes's theory develops, however, we notice "the problem of the disappearing women." Hobbes takes for granted that men will be in charge and says almost nothing more about women.

Locke treats the issue much more explicitly. Some have taken him to be an anti-patriarchalist not only toward governmental authority but also toward the husband's authority in marriage. He states that marriage is founded on consent and at one place grants the wife the right to leave her husband. These appearances are deceiving, because Locke assumed that virtually all women would consent to marriages in which they were subjugated

to their husbands. When one considers Locke's very extended notion of tacit consent, it is apparent that his political theory is in practice not very far from the patriarchalist doctrine he is generally taken to be combating.

This aspect of individualism accompanied, and is partially explained by, the worsened position of women under capitalism. Before the 1650s, women had frequently exercised real economic independence and participated in occupations such as brewing on equal terms to men. As capitalist industry grew, it is argued, women fell under the domination of men and their legal position worsened. Although political theory cannot be completely explained by economic trends, it is to a large extent a response to them.

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## *Locke, Property, and Individualism*

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**Paul Marshall**  
York University

"John Locke: Between God and Mammon." *Canadian Journal of Political Science* 12 (March 1979): 73-96.

Locke's individualism is clarified by exploring his attitude toward work and property. C.B. Macpherson, one of Locke's most influential recent expositors, is correct to stress that Locke favored the accumulation of property. Although a possessive individualist, Locke did not favor unlimited accumulation, however, as Macpherson asserts. Neither did he believe that the poor are irrational. Another important author on Locke, John Dunn, rightly emphasizes Locke's use of the notion of a "calling." He interprets it in an overly theological way which ignores Locke's secularization of the idea.

Critics of Macpherson have claimed that he ignores Locke's limits to property accumulation. Locke himself withdraws most of these once money has been introduced into an economy. Furthermore, Locke believed that, although natural law

was still in effect once society had been instituted, people might voluntarily surrender some of their natural rights in order to promote their prosperity. Thus Macpherson is correct to point out that Locke favored accumulation. He did not believe in unlimited accumulation and in fact condemns it in his writings on education. Macpherson's claim that Locke thought the poor were necessarily irrational is also incorrect. Macpherson tends to dismiss Locke's views on religion, regarding them as having been advanced for the purpose of keeping the poor in check. In point of fact Locke devoted extensive time to his religious works and took them seriously.

John Dunn has strongly emphasized Locke's use of "calling." According to this idea, people had a particular vocation to pursue their economic tastes as a means of

advancing their salvation. Dunn tends to ignore the development of a "calling" among the Puritans and understands it in a very strict theological way. Many of the Puritans themselves secularized the concept of "calling," placing emphasis on the occupation being pursued more than the mental state of the laborer following the

calling. Locke changed this idea even further. He tended to stress worldly success to a great extent, and relegated religion to the realm of a "general calling." That is to say, Locke tended to distinguish sharply between religious and secular matters. In his concern with both, he can be seen as a transitional figure.

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## Children, Freedom, and Individualism

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**Kenneth Henley**

Florida International University

"Children and the Individualism of Mill and Nozick."  
*The Personalist* 59 (October 1978): 415-419.

**D**efining the status of children is a major stumbling block for social systems based on free choice. How does one foster independent judgment on the part of the child? And, to what extent can the choices of the young be termed "free" or "independent?"

Utopian religious communities, like those of the Amish or Shakers, pose special problems in the thorny area of the child's right to choose. Freedom-oriented thinkers value the flourishing of these diverse "experiments of living." Yet, such groups survive through the strict isolation of all members, including children, from the influences of the larger, pluralistic society. How does one safeguard the child's right to choose his own values, if the social (and particularly educational) setting shields him from alternative ways of living?

John Stuart Mill's responded to this dilemma by exempting children of Utopian communities from compulsory public education, while, at the same time, providing for compulsory state examinations, for which parents would have to prepare their children. The imposition of uniform *standards* of education upon nonpluralistic groups posed no problems for Mill, since his system provides no room for social experiments which seek coerced adherence to illiberal principles.

A prominent libertarian thinker of our own day, Robert Nozick, *does* recognize the right of utopian communities to seek intellectual isolation. In his *Anarchy, State, and Utopia*, Nozick admits that such isolation would limit the child's freedom to know and to choose. However, this difficulty is put aside to be dealt with at a later time.

According to Prof. Henley, *both* Mill and Nozick ignore the basic question of how socialization effects the person's ability to choose. Every human being is born as a helpless infant in a society which molds him to have desires appropriate to his place in the community. Education within a certain community exercises profound influence upon the person's character and disposition. The more closed the community, the more profound the influence exercised. Even when presented with a full range of alternatives, a person thus formed would be disposed to make a certain limited number of choices. An Amish girl, raised with the view of women's radical subordination to men, would most likely regard news of her equal rights in the larger society as the erroneous notions of people "out there."

In Prof. Henley's mind, the basic flaw of the individualist position is its blindness to man's social nature. Individualism

presupposes a kind of Cartesian consciousness which freely expresses its preferences—unswayed by ingrained social values. This view arises from a fictitious notion of human development.

How then does the individualist reconcile the survival of nonpluralist groups with the child's need for early exposure to alternate values before the community closes his mind to them? To this dilemma, Prof. Henley proposes an admittedly imperfect solution. In Henley's view, the state would have to require pluralistic schools (public or private) whose faculties and student bodies would reflect the diversity of the larger society. In the child of the closed community, such an environment

would foster an openness to the *possibility* of alternatives, while other children could benefit from contact with the utopian child. Socialization in the closed community would, of course, continue but it would be balanced to some extent by these pluralistic contacts.

To implement this solution and to expand the child's ability to choose, more would be needed than Nozick's minimal state or Mill's limited state. Nevertheless, this compromise is necessary in Henley's view, if the individualist is to reconcile freedom of choice (which he values) with the facts of human sociality (which he often ignores).

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## *Liberty and Mental Illness*

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Michael Nedelsky and Peter Schotten

"Civil Commitment and the Value of Liberty." *Social Research* 46 (Summer 1979): 374-397.

A difficult problem in the study of liberty concerns the rights of the mentally ill. Specifically, may persons suffering from treatable mental illnesses be hospitalized against their will? The claim that they can be committed has been challenged on two grounds, especially by Thomas Szasz. First, Szasz contends that the concept of mental illness is a myth. If true, this would rule out involuntary commitment. Second, Szasz argues that to hospitalize someone against his will is incompatible with the ethics of a free society. The authors contend that neither of these arguments can be accepted, and the practice of involuntary commitment is in fact a means of advancing "the vitality of the principle of liberty."

An objective criterion for mental illness exists if it is defined as a lack of a capacity for rational behavior. The irrationality in question must be gross, i.e., markedly below even minimum standards. Furthermore, the determining factor is not occasional irrational behavior, but the lack

of any ability to act rationally. Szasz has objected to this approach on the grounds that there are no objective standards of rationality. To allege that someone is irrational is, on this view, simply to express disapproval of his conduct. Szasz's argument is inconsistent with his practice as a psychiatrist, even if he treats patients only on a voluntary basis. If there are no objective standards, he can be guided by nothing more than his personal preferences. Szasz's objection has nihilistic consequences for psychiatry.

The objective nature of mental illness does not by itself justify voluntary commitment. The practice might be objected to on the grounds that it is inconsistent with liberty to prevent a mentally ill person from acting as he desires, so long as he does not harm others. To this the authors reply that political theory has tended to value liberty as a means to promote human welfare: everyone should be free to pursue the good life as he sees fit. This, however, does not mean that they are unable to act ra-

tionally. The same answer applies to the claim that liberty cannot be infringed because free inquiry is essential to discover the truth. The process of discussion presupposes rationality. One may, in

summary, distinguish between the mentally ill person's desires at the moment and his long-term interests. It is the role of the psychiatrist to help secure the latter, even at the expense of the former.

## Sismondi and Liberty

H. O. Pappé

"Sismondi's System of Liberty." *Journal of the History of Ideas* 40 (April-June 1979): 251-266.



The cosmopolitan Jean Charles Léonard de Sismondi (1773-1842) is a key transitional thinker between the ancien régime of the eighteenth century and the turbulent social, political, and economic forces of the nineteenth century. As an important late Enlightenment figure, Sismondi sought to preserve and extend human liberty, while correcting its abuses in an era of increasingly mass collective society and growing state intervention against individual initiative. Sismondi's own writings anticipated such reactions to the Enlightenment as romanticism, *Historismus*, and socialism.

A true cosmopolitan, Sismondi traveled widely from his native Geneva (where he imbibed his ambivalence towards popular sovereignty), and became familiar with French, Italian, Spanish, and British contemporary thought. He was especially influenced by William Robertson and Edward Gibbon. His work on constitutionalism was indebted to Black-

stone's *Commentaries* and Jean Louis De Lolme's *Constitution de l'Angleterre* (1771). Sismondi was lover to Madame de Stael, uncle to Charles Darwin, and teacher of Gian Pietro Vieusseux, who was eminent in the Italian *risorgimento*.

Through his own personal experience with both liberalism and democracy, Sismondi rejected Rousseau's egalitarianism. He believed that such democratic liberty aimed at the sovereignty of an enlightened elite. This needed to be balanced by civic or negative liberty, the area permitting individual freedom of choice. Holding that there were limits to what a legislature could do, Sismondi tended to be skeptical of state-controlled virtue.

Sismondi is noteworthy as a precursor of social science, particularly political sociology. He stressed the influence of constitution and law in determining the character of peoples. A free constitution (a republic or constitutional monarchy as in England) would foster free, educated, virtuous citizens; a despotic constitution would stunt and denature humans. In the field of political sociology three of his most significant contributions are: (1) his analysis of changes in Italians since the end of the Middle Ages (He went beyond constitutional analysis, to discuss the role of religion and customs on national character); (2) his encyclopedia article "Prejudice," which pioneered in the area of social psychology; and (3) his sympathetic treatment of the proletariat in the Industrial Revolution, a theme which influenced many later writers.

## Mill: On Liberty

Michael Davis  
Illinois State University

"The Budget of Tolerance." *Ethics* 89 (January 1979):  
165-178.

One of the most influential approaches to freedom has been the principle of liberty advanced in John Stuart Mill's *On Liberty* (1859). Few professed libertarians, however, consistently follow Mill's principle. This fact suggests the need to reexamine Mill's doctrine of tolerance.

Mill distinguished between *private* acts, which do not harm anyone, and *public* acts, which do. His thesis is not the trivial proposition that private acts should be left unregulated by the government and by the positive morality of society. Since private acts harm no one, this claim would be universally accepted. Rather, Mill should be taken as arguing that most public acts should be tolerated. An act is defined as "tolerated" if a society's positive morality prohibits it but it is nevertheless protected by the government. The government may protect it either actively, by prohibiting interference with it, or passively, by not taking measures against it.

The wide ranging concept of tolerance Mill favored was supported by an emphasis on the positive value of diversity for society. Although diversity is indeed an important social value, it is argued that, in an unlimited form it can become an evil. Too much change may prove unsettling,

both for individuals and societies. The extent to which a society can tolerate changes in its values is determined by its simplicity, stability, and integration.

Four types of libertarian positions may be distinguished according to the way in which liberty and social order are comparatively valued. (1) Extreme libertarians believe that liberty may be restricted only to prohibit direct harm to others. (2) Strong libertarians extend the scope to which liberty may be restricted to include the measures needed to secure a minimum of social order. (3) Classical liberals, including Mill himself, allow restrictions on liberty which aim to insure that a society can develop in which liberty is of value to the individuals composing it. (4) Finally, equalitarian liberals allow the principle of liberty to be limited, as their name suggests, by a principle of equality.

Both liberals and conservatives recognize the need to "budget" liberty. The extent to which liberty should be limited depends to a large degree on the findings of sociology about what is necessary for social order. As such studies are carried further, liberals and conservatives may be expected to find themselves less far apart than they imagined.

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## Mill, Freedom, and Happiness

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"Freedom and Happiness in Mill's Defense of Liberty." *Philosophical Quarterly* 28 (October 1978):  
325-338.

John Stuart Mill's defense of personal freedom in his essay *On Liberty* has drawn the criticism that it is cogent only in so far as it is *not* utilitarian. The cornerstone of Mill's argument for individual liberty is the "harm principle": that we may rightly

use power against a person only to prevent harm to others (the person's own physical or moral good does not constitute a sufficient warrant for the use of force. Yet, one could ask how an ethical system based solely on the principle of utility could dis-

suade a member of society from making someone happier than he could make himself when left to his own devices.

Replying to this objection, Mill seems to regard *Liberty* as an end to be pursued for its own sake. Infringements upon personal freedom would thus constitute the violation of an absolute principle. This, however, would contradict Mill's view (stated in *Utilitarianism*) that *happiness* is the only ethical absolute.

The authors assert that this apparent contradiction confuses the meaning of the word "happiness" in Mill's work. Mill abetted this confusion by not clearly distinguishing his two basic uses of the term.

Mill's position becomes a contradictory one if happiness is understood as a simple mental state, consisting of feelings of contentment and well-being. Given this meaning, the pursuit of liberty might indeed conflict with one's happiness—as in the example of the advocates of free speech in the Soviet Union. This simple, monistic view of happiness does in fact appear in Mill's work. However, this notion must not be confused with the idea of *happiness* as an ethical absolute or as an end in itself. Here, Mill takes a composite view. Happiness consists of various goods such as health, freedom, lack of pain, poetry, etc. These diverse goods are naturally desirable as *means* to the end of happiness. In Mill's view, however, they are also part of that end, and, as such, they are desirable in and of themselves. Thus, the view that liberty is intrinsically desirable does *not* contradict the idea that only happiness is to be desired as an end in itself. Happiness is a composite of intrinsically desirable goods.

Nevertheless, this intrinsic view of de-

sirable goods seems to conflict with the essential nature of Mill's utilitarianism, namely that truths are to be discovered within the confines of the contingent world. Mill's defenders have retorted that, when he speaks of various goods as ends in themselves, what he really believes to be desirable as an end is some single, natural principle to which all subsidiary "goods" *Pleasure*, as a mental state, has often been chosen as the most plausible candidate for this ultimately desirable state.

In fact, Mill *does* explicitly declare that certain mental states are intrinsically desirable and that all have at least one thing in common: they are all states of happiness or pleasure. That is not to say, however, that *only* mental states constitute the state of pleasure.

For Mill, pleasure consists not only of the *feelings* produced by certain activities. It also comprises the objects of these activities and the activities themselves. Thus, in Mill's own words, music, health, poetry, and virtue "are desired and desirable in and for themselves; besides being means, they are part of the end."

Since the utilitarian good is not monistic, the ranking problems of pluralistic ethical theories immediately arise. For example, is justice or freedom to be more highly prized? In Chapter 4 of *Utilitarianism*, Mill supplies an embryonic response to this problem. Higher pleasures are to be distinguished from lower ones by "competent judges"—those who have experienced both. Mill's pluralistic ethical position effectively gives the lie to the old charge that utilitarianism, like epicureanism, is a theory fit only for swine.

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## Freedom of Speech and Moral Development

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John W. Patterson  
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"Moral Development and Political Thinking: The Case of Freedom of Speech." *Western Political Quarterly* 32 (March 1979): 7-20.

Almost all Americans would affirm that they support free speech. However, social science data indicates that the consensus

breaks down when the question is asked concretely in terms of deviant groups' right to speak (Nazis, Communists, etc.)

Reservations are expressed concerning "those with wrong ideas," "those who talk against churches and religion," etc.

The upper echelons of society qualify their tolerance of divergent views less so than lower socio-economic classes. Since the educational resources of the elite foster wider opportunities for moral development and since tolerance is a moral activity, researcher Lawrence Kohlberg has theorized that a definite correlation would exist between the level of subjects' moral development and the consistency and quality of their tolerance of free speech.

Kohlberg and his colleagues have carried out a number of experiments with adults to corroborate this thesis. Prof. Patterson, however, has theorized that the process of moral maturation might appear more clearly in children and that correlating their moral development with their level of tolerance would provide a significant and revealing test of the Kohlberg theory.

To evaluate the moral maturity of elementary school pupils, Patterson employed the six-stage scale developed by Kohlberg, who himself followed the research of Jean Piaget. The scale ranges from the "Punishment and Obedience Orientation" in Stage 1 to the "Universal Ethical Principle Orientation" of Stage 6. Individuals pass through the six steps in age-related sequence, and, while rate of development may vary and some individuals may fixate at a certain point, the stage order is never violated. Stage transition is promoted by the individual's discovery of seeming contradictions and inconsistencies in his environment, which he endeavors to resolve.

Patterson further postulated two hypotheses to be tested in his experiments:

(1) Since each successive level of moral development constitutes a more adequate mode of resolving moral dilemmas, the higher the stage, the more consistent the application of the principle of free speech; and (2) Those who support free speech in terms of right or principle (a higher level of moral reasoning) will be most tolerant of deviant ideas, and, when asked to provide a possible justification for suppressing deviant expression, those morally advanced subjects would support their justification by lower-level reasoning.

Level of tolerance was tested in two ways. First of all, children were read a series of questions concerning the advisability of free speech. A moral and political dilemma related to free speech was presented along with questions to elicit the child's choice of alternatives and his justification for them. The two tests were found to correlate with each other and, in turn, with the six-stage framework of moral development.

Briefly, moral maturity was found to have a significant relationship to political reasoning. Structures of reasoning about conflict situations were judged by both logical and empirical criteria to correspond to the structures of moral judgement. The research also suggested that the concepts of "tolerance" and "consistency" are far too simple as usually conceptualized, since from stage to stage of moral development, the nature of justification for free speech varies widely. Finally, the experiment throws light on the origins and nature of the quality of tolerance. Prof. Patterson, thus, suggests that Kohlberg's theory may elucidate other aspects of the political process not yet analyzed in the light of moral development.

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## *Freedom in Kant, Hegel, and Marx*

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"Three Concepts of Freedom: Kant-Hegel-Marx."  
*Interpretation* 7 (January 1978): 27-51.

**K**ant, Hegel, and Marx are three influential writers on freedom. Though often condemned, their philosophies can

be seen in a more favorable light if they are considered as dialectically related to one another.

Kant's idea of freedom depends upon his distinction between the phenomena of the everyday world and the noumenon, or thing-in-itself. It is only the noumenal self that is free; the empirical self is determined by outward events. Kant's conception wrongly reduces freedom to a purely inner state. One can be free, in his view, even under a despotic government. He believed, however, that one could deduce by pure reason the proper principles of political organization. His ideas on philosophy of law have been very influential.

Hegel criticized Kant's views on freedom for being unhistorical. It is only in

society that true freedom can exist. The notion of freedom as arbitrary will most particularly be rejected. Furthermore, freedom develops concretely in history by means of struggle.

The latter theme Marx took up and greatly expanded. He argued that each social system has its own conception of freedom, as determined by the system's economic development. Marx himself, in contrast to his Stalinist disciples, was a strong proponent of freedom of the press. He believed that true freedom could exist only if the state ceased to exist.

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## Marx, Freedom, and Property

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George G. Brenkert

"Freedom and Private Property in Marx." *Philosophy and Public Affairs* 8 (Winter 1979): 122-147.

**T**he *Communist Manifesto* declares: "The theory of Communists may be summed up in the single sentence: Abolition of private property." Karl Marx's opposition to private ownership remains controversial and ambiguous.

Many analysts of Marxian theory maintain that there is no possibility of a *moral* critique of capitalism by Marx, since, for him, all moral principles are imminent in the material situation. To the extent, therefore, that capitalism follows bourgeois moral and legal rules, Marx could not condemn private property as unjust or immoral. These analysts have therefore identified the essence of Marx's opposition to private ownership with various economic or historical factors.

On the other hand, some scholars claim that capitalist appropriation of the "surplus value" (or "unpaid labor") inherent in a product represented for Marx an *exploitation* of workers. Such exploitation constituted a violation of the moral principle of justice.

Professor Brenkert finds both views in error. Marx based his critique of private property, not on the moral principle of justice, but on the moral principle of *freedom*.



Human relations as determined by the bourgeois organization of society negate the value of freedom, as Marx viewed it.

At least three dimensions comprise the freedom that Marx advocates. First of all, one is truly free when one is exempt from fortuity and able to participate in the control of one's affairs. Private ownership, by dividing society into the propertied and the propertyless, denies to the latter the direction of their affairs, stands in opposition to a flourishing and harmonious society, and imposes upon all the clutch of the market's invisible hand.

Secondly, freedom requires the concrete objectification of man through his activities, products, and relations. Capitalism obstructs this objectification by providing for only symbolic interactions between people and things—in terms of exchange-value and money.

Thirdly, freedom can only be achieved in and through community—in contact and cooperation with others. In a society based on private property, however, privacy is raised to the level of an ultimate social principle: "Mind your own business." This capitalist insistence on the separateness of individual interests effectively precludes an understanding of the fact that indi-

vidual lives reflect and participate in a larger social order.

Prof. Brenkert next proceeds to discuss at length Marx's view of the relativity of justice. If the principle of justice has only relative value as a standard of judgment, how could Marx use the principle of freedom as a transcultural absolute in his condemnation of private property? For Marx, the development of man, his capacities, and relations constitutes the transcultural element in freedom which allows for a critique of all social systems. To one degree or another, every mode of production either fosters or discourages those factors comprising the threefold framework of freedom mentioned above (control of one's affairs, concrete objectification of products and relations, and community).

Unlike a standard of justice, which represents an effect or external product of a system of production, the elements constituting freedom are innate in the development of every economic system. On the basis of these criteria, Marx can assert that, under the system of private property, persons grow progressively *less* free. As a result, Brenkert argues, this form of economic and social organization is to be condemned.

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## *Neoconservatives, Liberty, and Equality*

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Peter Steinfels

"Neoconservatives and the Fear of Equality." *Dissent*  
26 (Spring 1979): 169-182.

Neoconservatives such as Irving Kristol, Daniel Moynihan, Daniel Bell, and Robert Nisbet have raised the crucial problem of the relation between equality and liberty. Their strong assault on equality is to a large extent surprising, since few people in America support radically egalitarian measures or endorse redistribution simply for the sake of redistribution. The neoconservative critique of equality focuses on the incompatibility of equality with liberty, meritocracy, and legitimacy.

Equality and liberty are in tension, it is

argued, since restrictions on income limit individual freedom, particularly freedom of economic enterprise. This view wrongly sees liberty as an absolute, incapable of mixture with other values. Actually, a large measure of equality is a necessary condition for the self-responsibility without which true liberty is meaningless. The purely negative conception of liberty as the removal of governmental restraint must be supplemented by a conception of liberty as the fulfillment of a positive ideal.

Irving Kristol has pointed out that abili-

ties, and hence economic rewards, tend to distribute themselves in a bell-shaped curve. Thus egalitarianism is inconsistent with a natural, meritocratic order. The social democratic theorist Michael Walzer has aptly responded that there is no reason salaries ought to depend on a single set of abilities; taking different skills of people into account requires that economic power be limited. If this is done, people with different types of ability can express themselves, as opposed to a system in which only the ability to make money counts. The neoconservatives tend to overstress personal responsibility for one's position on the economic scale. They also tend to

offer unfair criticism of the moderate egalitarianism of John Rawls.

The final charge against equality is that the undue pursuit of this value weakens legitimacy. Governments cannot meet ever increasing demands for equality and threaten to be swept away in popular resentment directed against the upper classes. The situation is exacerbated by third world nations' demands on the developed countries. This argument drastically oversimplifies the facts. Equality is only one value among many, and it is wrong to regard it as a demonic force responsible for virtually all social evils.

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## *Freedom: the Politics of Justice and Existence*

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**Gerhart Niemeyer**

Notre Dame University

"Freedom and Rights: What Is To Be Done?" *The Review of Politics* 40 (April 1978): 183-195.

Does political necessity diminish the exercise of individual liberty? Taking as his backdrop the survival of the United States confronted by the Soviet Union, the author believes that some political exigencies may affect individual rights and liberties. He divides politics into two branches: (1) the politics of justice which is natural, and (2) the politics of existence, which is artificial. The politics of existence may delimit the politics of justice and liberty.; Niemeyer believes that Communist domination would itself eliminate liberty and impose political monopolization with the attendant suppression of individuals as "class enemies." The West cannot win if it defines the moral battle as capitalism versus socialism, since, he argues, no one will sacrifice for the "selfishness, injustice, inhumanity, and waste" of capitalism. To battle the seductive appeal of socialism, we must define the issue as freedom versus oppression. For Niemeyer, freedom is intimately connected to a religious conception of man's mind in contact

with the divine in contrast with Marxian materialism. Marxism must be permanently blind to the true source of man's being and hence is ideologically vulnerable in its materialism and historical determinism.

Niemeyer stresses that what also needs dramatization is the connection between freedom and prosperity. Freedom is in the greatest jeopardy, however, when those who dominate political power also control all property.

How does Niemeyer translate these ideas into foreign policy? Applying his distinction between the politics of justice and the politics of existence, he concludes that we should avoid "making the world safe for democracy." Thus, we should avoid interfering in the internal affairs of other nations. Instead, we should define as our motive for opposing communism the intent to preserve freedom. Human rights should not dictate to us who our friends ought to be in the "politics of existence."

## Liberty and the American Revolution

Robert McColley  
University of Illinois—Urbana

"Radical Political Thought in the American Revolution." *Journal of the Illinois State Historical Society* 69 (1976) 2: 91-99.

Historians in the early twentieth century tended to view the American Revolution within a narrow socio-economic framework. Questions of taxation, trade, and conflicts of interest between British authorities and the rising American gentry predominated. When these historians considered the intellectual roots of the American revolt against the British, their views fell into two categories. Some writers, like George Otto Trevelyan, Charles McLean Andrews, Moses Coit Tyler, and Samuel Eliot Morrison, viewed the colonists' insistence on representation and individual liberties as a revival of the seventeenth-century, English liberal tradition. Other scholars, such as J. Franklin Jameson, Vernon Louis Parrington, Carl Becker, Gilbert Chinard, and Adrienne Koch, stressed the radical nature of the American experiment—its republican character and its roots in rationalism and the French Enlightenment.

Since 1950, however, the intellectual history of the Revolution has come to center stage. Signs of this new interest appear first in Clinton Rossiter's *Seedtime of the Republic* (1952). Comparing influential documents of both Colonial and Revolutionary era Rossiter argues that these revolutionary ideas grew in organic fashion from the experience of local self-government during the Colonial period. This coincidence of custom and ideas contrasts with the radical revolutionary traditions of Europe, as exemplified by Mirabeau, Robespierre, Lenin, and Stalin.

Other scholars extended Rossiter's pioneering research. In *The Lost World of Thomas Jefferson* and *The Genius of American Politics*, Daniel Boorstin laid emphasis upon the non-European, native and popular nature of the American revo-

lutionary tradition.

In 1960, English historian Caroline Robbins published her essential treatise, entitled *The Eighteenth-Century Commonwealthman*. Robbins demonstrated the decisive Political impact on the American Colonies of the eighteenth-century thinkers, known as the "Old Whigs" (or "Commonwealthmen"). Far from the centers of economic and political power in Britain, Old Whig essayists and pamphleteers "praised liberty, warned against the dangers of tyranny, and deplored extravagance, luxury, and corruption in public affairs." Through Scottish presses and immigrants, these liberal idea flooded into Colonial America.

At about the same time that Robbins published her study, Robert E. Palmer was arguing in *The Age of Democratic Revolution* that the American Revolution formed but one part of a general democratic movement which spread forth from such diverse centers as Warsaw, St. Petersburg, Philadelphia, Stockholm, London, Geneva, Vienna, and Williamsburg. Nonetheless, Palmer asserts that the American experiment was a radical creation, since it established the first national government based on seventeenth-century principles of the people as original and supreme sovereign.

Subsequent historians such as H. Trevor Colbourn (*The Lamp of Experience: Whig History and the Intellectual Origins of the American Revolution*), Richard M. Gummere (*The American Colonial Mind and the Classical Tradition*), and Bernard Bailyn (*Ideological Origins of the American Revolution*) have continued the work of reconstructing the intellectual matrix of the American revolutionary experience.

## American Libertarians

**David De Leon**

University of Maryland, Baltimore

"Right Libertarianism," in *The American as Anarchist: Reflections on Indigenous Radicalism*. Baltimore: The Johns Hopkins University Press, 1979.

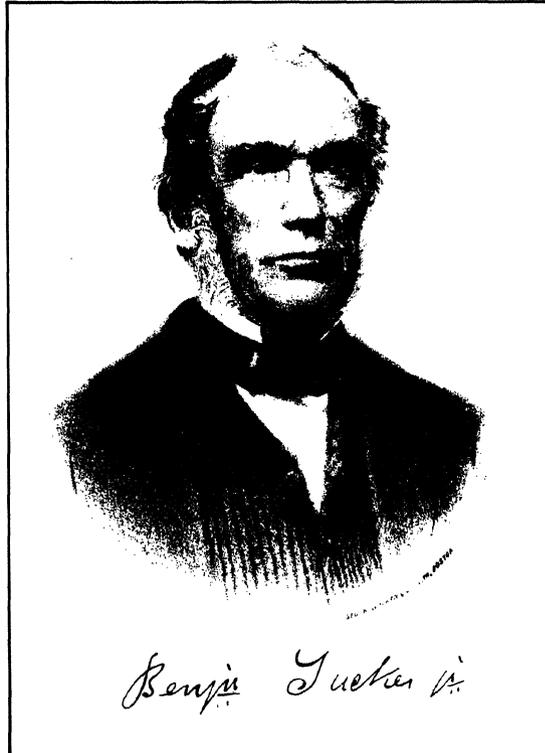
The dominant characteristic of "right libertarianism" is opposition to the power of the state. One can distinguish several different varieties of this type of political doctrine, of which individualist anarchism is the most extreme.

The emphasis on individualism in American Literature is noteworthy. For example, Emerson stressed the authority of the self over the state: "with the appearance of the wise man the State expires." Individualism assumed a more egoistic form in the poetry of Whitman.

Thoreau gave individualism a distinctly political form in his well-known opposition to the paying of a poll-tax. Henry George developed a much more systematic version of individualist politics. His single-tax po-

sition, if carried out, would mean that the state would have little to do beyond collecting the land tax and preserving order.

The most consistent version of right libertarianism was developed by Benjamin Tucker and the circle of writers around *Liberty*. Tucker's views express the interests of some small tradesmen and manufacturers. He assumed that no government was necessary. Disputes among individuals would be settled by private bargaining, and, if necessary, by boycotts, Tucker, as well as writers such as Lysander Spooner, emphasized the lack of consent of individuals to the state. Tucker's views developed out of his youthful experience of the New England reform tradition. <sup>[1]</sup>



# III

## Economics and Public Policy

Economic theory and policies—whether sound or faulty—determine the health of a society and the chances of its material progress or decline. If sound economic insights fail to inform and “penetrate” political theory, a plague of social ills ensue. This is the recurrent and chilling lesson of economic history written in the suffering, frustrations, and catastrophes that characterize depressions, spiraling inflation, trade imbalances, energy shortages, and food or transportation disruptions. Economic science, far from being an abstract, ivory tower irrelevance, exercises a most practical influence—for good or evil—on our politics and individual lives. This vividly appears in the present set of summaries which investigate questions of inflation, depression, and monetary policy.

Since government economic intervention tends to create social, political, cultural, and financial dislocations, the second summary is of vital importance: why do citizens in democracies choose a policy of deficit financing with its calamitous inflationary consequences? The final summary sets forth, from such an unlikely source as Friedrich Engels, insights into the importance of competitive, free markets to allocate resources and guide production efficiently and humanely.

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### *How Economics Influences Political Theory*

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“The Economic Penetration of Political Theory: Some Hypotheses.” *Journal of the History of Ideas* 39 (1978): 101–118.

**W**hy do economic ideas penetrate political theories to varying extents at given historical times? Twentieth-century economics gives little support to political theories because it looks at man as an impersonal demander of utility rather than as does political theory (i.e., as a being involved in relations of dependence and control with other people). Attempts by

political scientists to adapt the economic model of marginal utility equilibrium to an analysis of democracy has failed because it ignores the crucial power relations which any political theory must confront.

As a measure of how powerfully economics penetrates a political theory, we can ask whether the economic relations are viewed as settling the problem of the best

possible political order. Put rather indirectly: "the economic penetration of political theory varies with the extent of the market." That is, as markets come to dominate economic life, so economics impinges upon political theories. Because the rise of markets presents unsettling problems for societies, political theorists become concerned with these factors. Locke, Bentham, and James Mill display an increasing belief in the exploitation of the capital/wage-labor relation, and a corresponding belief in the extent to which government's role was thought to be established by economic relations. Strangely enough, J.S. Mill is pictured as marking a decline in awareness of the exploitative

nature of capital, and a consequent decline in economic penetration of their political theories. In redefining utility in qualitative terms, Mill moved political theory away from political economy.

In addition, the economic penetration of political theory varies with the political strength of an exploited class; directly in socialist theory, and inversely in liberal theory. In liberal theory this relationship is borne out in twentieth-century political thought. As capitalism becomes less viable, liberals retreat from economic penetration to idealism. This movement should be countermanded by a political theory again becoming informed by economic insights.

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## Why Democracies Choose Deficits

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"Deficits and Democracy." *Southern Economic Journal* 44 (April 1978): 813-827.

Democracies have tended to resort to budget deficits to finance expenditures. We can use a model of political competition which explains deficit financing in democracies by recognizing that institutional arrangements and corresponding assignments of property rights significantly influence individual choice.

We can view politicians as political suppliers of deficits in a monopoly situation: politicians compete for the right to supply a monopoly product (governing) for a limited time which is renewable through reelection. This view implies that political parties will strive to give the voters what they want in order to get elected; hence voters seem in some sense to "want" deficits rather than taxes to finance expenditures. The "rational expectations" literature predicts that (since deficits imply future tax liabilities) rational voters will treat deficits and taxes as equivalent claims and exhibit no preference between

the two forms of finance. However, even perfectly rational and foresightful voters will prefer deficits.

One reason politicians can get away with deficit financing without voter preference is the incentive structure. Voters may be conceived of as owners of public goods and politicians as "managers." Then the politician-managers would have no personal liability for financial mismanagement, and would thus reduce the capital value of the public stock beyond their own pro rata share of future tax liabilities. Deficits are then seen as the least costly means of financing expenditures. Voters, on the other hand, would demand expenditure because they see the increased cost to any one voter as negligible while the potential benefit can be great.

Two factors explain why voters will prefer deficit financing in a democracy. The first is that individuals have positive discount rates (positive time preference),

and the second is that they can shift some of the costs to the future. That is, voters desire deficits because they do not rate the utility of next generation's consumption as equal to their own. They can, in fact, shift the burden of the debt to the future by taxing human capital rather than non-human capital. If non-human capital alone were taxed, a budget deficit would place a liability on future income streams of capital goods. This would reduce the present value of the good sufficiently to offset increased future taxes. The present

owner would bear the burden of the debt. If human capital is taxed, one cannot capitalize his own present value indefinitely into the future, so part of the future tax will be paid out of the human capital of the next generation. One test of this hypothesis would be if states which rely more on income taxes than property taxes have greater deficits. Testing has shown this to be the case. Governments which routinely tax human capital to finance at least part of their budgets are more likely to run deficits.

## Inflation and the Welfare State

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"Economic Growth and Social Welfare." *Scottish Journal of Political Economy* 24 (November 1977): 193-206.



The relationship between economic growth and "social welfare" is complex since sometimes they complement and other times they counter one another.

Since World War II, 30 years of prosperity have ensued partly because of "full employment" policies. But these policies can lead to serious problems and even contain the seeds of their own destruction.

The acceleration of wage inflation toward the end of the 1960s was in part the delayed effect of the full employment policies. These government inflationary policies led employers to believe that they could not price themselves out of the market, and workers to believe that they could not price themselves out of a job because the government would always bail them out.

The welfare state was the main reason why public expenditure in Britain rose from 25%–30% of GNP during most of the inter-war years, to 40%–45% during most of the first two post-war decades. But the upsurge of government costs since the mid-1960s displays the irresponsibility of politicians who tried to act on the popular belief that government could provide goods and services like manna from heaven. It printed money and rationalized its actions in terms of the Keynesian acceptance of unbalanced budgets. It would be wrong to blame the founders of the welfare state for recent developments. What we are now witnessing, however, highlights the danger of absent-minded and unlimited enlargement of the state's role.

People in Britain are, however, becoming more aware of the enormous waste in the administration of public expenditure and the arbitrariness in spending public funds. They perceive how they are being forced to accept a pattern of consumption dictated by the state, whereas they would prefer more "private wage" and less "social wage."

Above all, people are increasingly aware that public expenditure has to be paid for by higher taxation. Whereas during the first post-war decade a married man with two young children paid income tax only if his earnings were at or above the British national average, now he has to pay even if his earnings are under half the national average.

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## Monetarism and the Depression

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**Thomas Mayer**

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"Money and the Great Depression: A Critique of Professor Temin's Thesis." *Explorations in Economic History* 15 (1978): 127-145.

Peter Temin's essay on the "great contraction" of the 1930s, *Did Monetary Forces Cause the Great Depression?* (1976), has clarified the Keynesian interpretation of the Depression. Challenging the long prevalent monetarist explanation of Milton Friedman and Anna Jacobson Schwartz in their *Monetary History of the United States*, Temin claims that a major, autonomous decline in consumption occurred in the early 1930s and that this decline, by its repercussions on financial markets, caused the sharp and persistent recession. Thus, Temin argues that the declining money stock of the 1930s was a symptom of basic changes in the real sector. Consequently, even if bank failures had not reduced the money stock, declines in money would still have been near the actually observed levels. Temin interprets fluctuating interest rates as a sign that the demand for money fell faster than the supply of money contracted (for any given rate of interest).

If valid, these arguments would clearly weaken the monetarist claim that the "great contraction" resulted from inept and unnecessary money management. Several problems, however, weaken Temin's attack. For example, Temin emphasizes the year 1930 in his analysis of the

monetarists' argument on the decline of the money stock. This emphasis is surprising inasmuch as Friedman and Schwartz deal with the period 1929 to 1933 and note that the major declines occurred after 1930. Then again, Temin's argument for an autonomous decline in consumption rests on only three observations, consumption in 1921, 1930, and 1938. This narrow focus precludes reliable conclusions: It is difficult to even identify the abnormal year in a selection as sparse as Temin's. Also, it is unclear that a major autonomous fall in exports reinforced the decline in consumption, as Temin argues. Furthermore, he fails to investigate whether declines in the incentive to spend and invest might be a cause of recession.

Temin may also be faulted for suggesting that the money stock would have fallen regardless of bank failures. The evidence indicates an excess supply of money preceding the wave of bank failures. Also, Temin lacks a defensible explanation for the behavior of real money balances. It is possible to explain the decline in short-term interest rates from either a Keynesian or a monetarist viewpoint. Thus, the evidence on real money balances fails to support Temin's explanation of declines in incomes.

## Asian Monetary History: Gold & Silver

**Christopher J.R. Wood and John G. Greenwood**  
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"Episodes from Asian Monetary History. The Fall of Silver: Part 1. China and the Silver Standards." *Asian Monetary Monitor* 2 (July/August 1978): 33-43.

Under a bimetallic monetary standard of gold and silver, the silver standard countries had acted as automatic stabilizers, absorbing either gold or silver depending on their changing relative prices. But the government-induced shift from bimetallicism to the predominant use of gold in the latter part of the nineteenth century, meant that the exchange rate between silver and gold standard countries was free to float for the first time. A combination of circumstances produced a long-term decline in silver prices which, in effect, was a continuous depreciation of this exchange rate. This chronic depreciation stimulated production and exports in the silver standard countries while rendering the exports of the gold standard countries relatively more expensive.

The government of India found fluctuations in the price of silver disquieting. These fluctuations were increased with the passage of the Sherman Act in the U.S. (1890) followed by a repeal of its silver purchase clause. The government acted to place India on a de facto gold exchange

standard by intervening to maintain a fixed exchange rate between the India rupee and the British pound sterling.

The Chinese exchange rate would not be pegged and so it continued to fluctuate. These fluctuations meant that interest rates, prices, and output in China diverged from those in the gold standard countries. A floating exchange rate insulated China against an import of the trade cycle from the gold standard countries. Indeed, inflows and outflows of silver acted counter-cyclically in the world economy. The Chinese wholesale price index closely followed the Chinese exchange rate. The U.S. price of silver, and relative prices in the U.S. and in China, also closely followed each other. Chinese prices exhibited greater stability than did the price index in the gold standard countries. This monetary stability was shattered only in the 1930s, when the U.S. government's attempts to maintain the price of silver in effect imposed a massive deflation on the Chinese economy.

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## Specie Money vs. Antibullionists

**Will E. Mason**  
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"Winners and Losers: Some Paradoxes in Monetary History Resolved and Some Lessons Unlearned." *History of Political Economy* (Winter 1977): 476-489.

Today's monetary issue is as old as economics itself, yet as modern as tomorrow: the question of the monetary standard, which, in modern terms, is the criterion of monetary policy. The "bullionists" are supposed to have won the nineteenth century monetary controversies, yet it is the

"antibullionist" dogma that prevails today. We have the abstract (noncommodity) monetary unit desired by the antibullionists, but do not know how to manage it because we adopted it by default rather than by design.

Ricardo argued that nothing would prevent a costless currency from becoming worthless. No one has yet proved him wrong, and today we appear to be proving him right. The banking school became the stewards of the antibullionist doctrine, and relied on banking practice rather than politicians to maintain the value of the monetary unit. Forgotten were the fallacies at the root of banking school principles, such as the Real Bills doctrine. But these fallacies governed the operation of the banking system. The banking school dogma was tested and proved a failure in the thirties. Though the public believed the bullionists had won, public policy had, in effect, unknowingly enshrined the banking school doctrine. Hence, the disastrous consequences for the banking system—which was believed to be the

product of the bullionist paradigm, but in fact operated according to the principles of antibullionism.

But the modern International Monetary Fund is simply a repetition of past errors. International reserves, intended to determine the international money supply, must instead function to protect an indeterminate supply. We are still left with the problem. Can a noncommodity money allow us to find a market-determined rule to guide monetary policy in the place of a real commodity money and the derived rules of the past? Monetarists think they have found such a rule, but neglect real factors (e.g., war) that are responsible for inflation-deflation cycles.

"It is no wonder that we do not know what to do. We know not what we have done or are doing."

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## *Inflation Effects on Capital*

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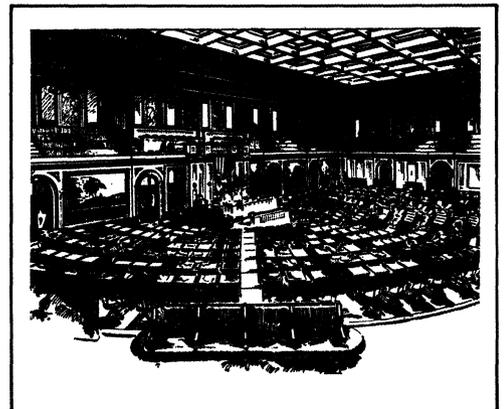
John A. Tatom and James E. Turley

"Inflation and Taxes: Disincentives for Capital Formation." *Federal Reserve Bank of St. Louis Review* 60 (1978): 2-8.

The tax laws levy on *nominal* returns and permit depreciation only on *historical* costs. For a firm to keep up (in real terms) with inflation, it ought to depreciate on *replacement* costs; and it ought not be taxed on the increase in nominal income that is necessary solely to maintain the firm's balance sheet as it was before inflation. Since these effects are ignored in our current tax laws, "taxes are being levied not only on the income generated by the capital, but also on the capital itself. This taxation reduces the incentives of firms to invest."

Likewise, progressive taxation of personal income requires the investor to earn a higher *pre-tax* return if his *after-tax* return is to be the same as in a noninflationary environment. An economic environment of high taxes and inflation raises the firm's cost of acquiring capital at a time when their *after-tax* return is falling. These factors will profoundly distort future economic growth and well-being.

We cannot "learn to live with inflation" and maintain our standard of living. Either politicians must substantially revise the tax laws (which seems unlikely), or we must adopt monetary and fiscal policies to reduce or eliminate price inflation.



## Consumption of Public Health Services

Julian LeGrand  
University of Sussex

"The Distribution of Public Expenditure: The Case of Health Care," *Economica* (UK) 45 (May 1978): 125-142.

Does the social position or class of individuals affect the amount of medical treatment they receive when they are ill? We can answer this by relating public expenditure on Health Services in England and Wales to the incidence of illness in socioeconomic groups.

Various measures of the distribution of ill-health (morbidity) among the social classes indicate that a greater proportion of people in the "lower" classes describe themselves as ill than in the "higher" classes. To some extent this may be explained by the different age and sex demographics of the social classes.

Estimates of public expenditure on health care reveal that relatively more is spent on those in the higher than in the lower classes. One estimate, in fact, suggests that people at the top of the social scale receive at least 40 percent more expenditure per person than do people at the bottom.

The estimated differences in expenditure per person may result from either or both of two factors: differences in the incidence of disease within each social class, and differences in the utilization of the Health Service by those describing themselves as ill within each class. The first alternative seems invalid because the available evidence suggests that "whatever other class differences there may be

in Britain, differential incidence of self-reported illness is not one of them." Therefore, accepting the second alternative leads to the question: why do the higher classes make relatively more use of the Health Services?

A sample utility-maximizing model of utilization would imply that individuals will "consume" National Health care up to the point where the marginal disutility of consuming further care exceeds its marginal utility. The marginal disutility of health care may be lower for the higher classes because they tend to spend less time travelling (as they can use their telephones to make appointments). The higher classes also use more health care because they live near better medical facilities and because they are likely to lose less income during the time they are consuming health care. Moreover, the higher classes may judge the marginal valuation of the benefits from health care as higher because they tend to perceive health services as real improvements in their health.

This suggests that cuts in public expenditure on public services would hurt the higher classes more than the lower classes. If such cuts were also accompanied by tax cuts, the lower classes might be better off and the higher classes worse off than they are now.

## Factory Regulation and Vested Interests

Howard P. Marvel  
Ohio State University

"Factory Regulation: A Reinterpretation of Early English Experience." *The Journal of Law and Economics* 20 (October 1977): 379-402.

Evidence suggests that Lord Althorp's Factory Act actual purpose was not industrial regulation to protect children, but rather an early example of industry lead-

ers using the law to regulate their competitors.

As a legislative landmark in the history of industrial regulation, Lord Althorp's

Factory Act of 1833 prohibited the employment of children younger than 12 years of age in Britain's textile mills. In current textbook literature, Althorp's Factory Act established government's right to intervene in industry to protect the economically and socially exploited. Historians have come to view the social welfare scope of the Factory Act as the beginning of modern economic regulation.

The Act was clearly a precedent for subsequent social and economic legislation, but its purpose is open to debate. Rather than intending it to protect young laborers, the authors of the Factory Act designed it to promote the interests of technologically superior cloth manufacturers by driving from business the more numerous but less sophisticated manufacturers who depended on the labor of children.

Before the Reform Act of 1832, a factory bill might well have embodied such humane reform proposals as those of Michael Sadler. However, the Reform Bill's extending of the franchise (and the reconstitution of Britain's electoral districts) hurt the reformers' political base

and shifted the new power in Parliament to large manufacturing districts. Resulting factory legislation thus represented the interests of textile magnates rather than the socially-minded country gentry.

Traditionally dependent on water power for their mills, manufacturers had built rural factories away from major centers of population. The steam engine changed much of this. The urban steam mills with their greater power facilitated the greater use of labor-saving machines, which in turn diminished the need for child labor. By shifting political power to the cities, the Reform Bill allowed steam-using manufacturers to apply law to industry rivals.

In effect, the Act decreased the supply of cloth and increased price, and the additional revenues accrued to the plants controlling the largest measure of product unaffected by the Act. Moreover, the penalties for continued employment of children fell most heavily on the mills dependent on water. These penalties placed an additional burden on the competitors of steam-powered plants, thus enhancing the capacity of steam operators to control cloth manufacturing.

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## Poverty Programs and Government

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Tommy W. Rogers

"Statistical Poverty in Mississippi: A Profile of the Poor in the Nation's Poorest State." *Mid-South Quarterly Business Review* 17 (April 1979): 11-15.

Mississippi has the greatest incidence of statistical poverty as defined by the official government indicator. However, the author contends, the higher-than-national incidence of statistical poverty in Mississippi does not of itself suggest a need for increased logistical support for programs of service delivery, consciousness raising, or an expanded government presence. In fact, "it might be worthwhile to consider what government is currently doing which it could cease doing if concern for the underprivileged population and

expansion of opportunity for that category is the criterion of concern."

We need to critically reappraise the automatic response of addressing appeals to government for help, solution, aids, and programs. Many of these appeals, regardless of the public interest vocabularies in which they may be couched, seem to work out as the efforts of special groups to profit at the expense of other groups through the political process. And there may be as much effort on the part of government to seek out clientele and beneficiaries as

there are efforts to use the collective and coercive power of government. There appears to be considerable government-encouraged activity to mobilize community groups to seek increased government assistance.

Quite frequently it becomes clear after several decades of implementation of a messianic policy that it does not have the consequences enlightened spokesmen said it would have, but rather the consequences predicted by critics. This often leads to new ground wherein those enamored of government really intend to make it "work" in

the public interest. The author suggests that we should evaluate the potential outcomes inherent in the process itself. We should also scrutinize schemes to mobilize resources in order to remove those hindrances to opportunity and productivity spawned by interest groups that manage to use the machinery of government in their own behalf (in the name of "the public interest"). We finally need to devise solutions to restrict government from prolonging poverty among persons, groups, or areas.

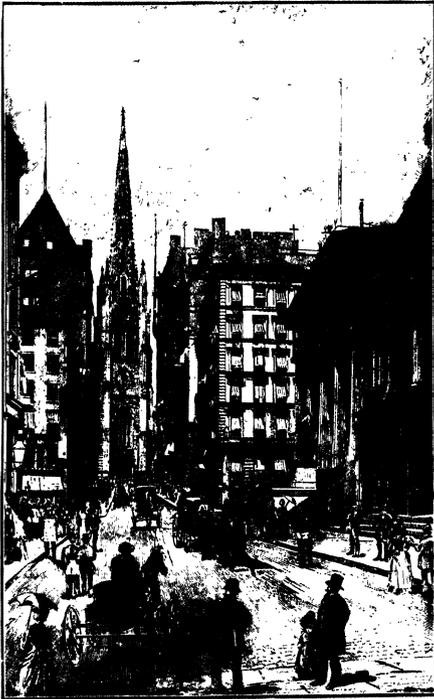
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## The Costs of Regulating Market Information

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George J. Benston  
University of Rochester

"An Appraisal of the Costs and Benefits of Government-Required Disclosure: SEC and FTC Requirements." *Law and Contemporary Problems* 41 (Summer 1977): 30-62.



**E**xpanded government-required disclosure of information by business is a legacy of the New Deal. More extensive mandatory disclosure gave the promise of less fraud on investors, better administration in the reporting corporations, more equit-

able and efficient capital markets, a more efficient allocation of resources, and greater governmental ability to manage the economy. While it is virtually an article of faith in many circles that government-required disclosure is a good thing, it could be that the costs of the SEC and FTC reporting requirements outweigh their benefits. Benston's investigations reveal not only that the cost of providing the required data is quite substantial, but also that the benefits to investors from the data are rather meager.

The Securities Act of 1933 and the Security Exchange Act of 1934 pioneered mandatory disclosure in the securities field. These and subsequent disclosure acts were intended to reduce fraud and inadvertent misrepresentation; reduce security price manipulation made possible through inadequate disclosure; enhance fairness to non-insiders; enhance public confidence in the securities market; increase the efficiency of making securities investments; and provide a greater flow and range of information to investors.

Were mandated disclosures successful? "Little, if any, evidence supports the belief that these possible benefits have been achieved. Nor is there much, if any, evidence that is consistent with the claim that the Acts addressed a real problem. Furthermore, reason does not support the belief that the benefits claimed can be achieved or are indeed benefits."

The FTC requires extensive reporting through its line-of-business report program. Under this program, certain businesses are required to collect and disclose detailed data on shipments, sales, advertising, profits, investments, and assets. The benefits claimed for the program range from improved anti-trust enforcement to enhancing labor's position in wage negotiations. Yet again, the promised benefits of disclosure turn out, upon investigation, to be little more than pious hopes.

The FTC line-of-business categories for reporting do not represent a meaningful aggregation of data, and thus cannot realize the purported goals of FTC-required disclosure.

In light of this, why is government disclosure supported despite its cost and its failure to provide benefits? The answer, in part, lies in the public's apparent belief that government regulation of disclosure is beneficial and necessary. Another part of the answer is gained by asking who benefits from government mandated disclosure. The truth is that groups ranging from bureaucrats to financial analysts have a substantial interest in required disclosure. Nevertheless, if evidence can alter beliefs, there is hope for ending the counter-productive disclosure measures that are in large part a legacy of the New Deal.

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## Rent Regulation

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**Duncan MacLennan**

University of Aberdeen

"The 1974 Rent Act—Some Short Run Supply Effects." *The Economic Journal* (UK) 88 (June 1978): 331-342.

**T**he 1974 Rent Act (UK) on the furnished rental housing sector in Glasgow replaced the Rent Act of 1965. The latter distinguished between furnished and unfurnished lettings and provided security of tenure to unfurnished tenants. Rents of furnished accommodation were generally market determined and tenants had limited security of tenure.

The 1974 Act did not alter unfurnished lettings very much but made substantial changes in furnished lettings: they were regulated in the same manner as unfurnished lettings. Rents were to be "fair rents" assessed by rent officers and were defined as rents established in a free market without a scarcity premium. The fair rent criterion is theoretically imprecise and vague in its possible interpretations. The rent officers operate on an average

cost pricing basis. This might seem unlikely to drive out landlords. But there are some difficulties. By giving tenants security of tenure, the 1974 Act increased the risks of letting and reduced the certainty of future returns, and reduced the landlords' ability to dispose of their property in their own way. Since landlords, who usually are small investors with two or three properties, often have a specific disposal date in mind (i.e., retirement from the labor force) this increased uncertainty might be expected to influence investment and letting decisions. In particular, landlords may adopt letting strategies which reduce the effective security of tenure provisions, for example, by letting only to transient tenants.

Surveys indicate that the 1974 Act did, in fact, reduce the supply of furnished

properties. This reduction has not been counterbalanced by an expansion in municipal property available for letting. Consequently, those who wish to obtain furnished lettings are trapped between the effects of the Rent Acts and intransigent policies on municipal letting. Paradoxically, the attempt to reduce the power of

the landlords results in a reduction in supply and an increase in excess demand. This may actually increase the power of landlords over their tenants. The current review of housing policy and the Rent Act will, perhaps, replace dogma with analysis in formulating housing policies that will be clearly defined.

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## Engels on Economics

T.W. Hutchison

University of Birmingham, England

"Friedrich Engels and Marxist Economic Theory."  
*Journal of Political Economy* 86 (April 1978): 303–  
320.

Engels deserves a "more important and more interesting place in the history of economics, Marxist or otherwise, than leading authorities . . . have been prepared to ascribe to him." W.O. Henderson's recent two volume *Life of Friedrich Engels* is no exception.

Engels' economic writings begin with his "Outlines of a Critique of Political Economy" written when he was only 23 years old. Remarkably, this work identified three themes central to Marxism before Marx wrote them. Engels emphasized periodic crises, a theme of great importance to Marxism even though he exaggerated their importance. Second, Engels predicted concentration of business before the joint stock company, and third, he argued that technological change would render Malthus's gloomy predictions obsolete. Significantly, Engels identified a third factor of production after land and labor—the mental element of thought or invention—which he differentiated from "sheer labor." This idea, if followed up, would have undermined Marx's system from the start.

The theme of technological progress appears again in Engels' "The Principles of Communism," a first draft of *The Communist Manifesto*. Engels' *Principles*, however, contains a description of the workings of the communist economy which was omitted from the *Manifesto*.

(Marx never did tackle the problem of how a communist economy would function.) In this essay, Engels relies on technological progress to eliminate scarcity and the concomitant need for private property. However, he also calls for a period of transition. Hutchison comments "Never has there been a wider contrast or more extreme contradiction between short-term, 'transitional' aims and methods requiring the creation of vast bureaucratic vested interests and, on the other hand, what was professed to be the long-term objective of the 'withering away' of the state."

In *Poverty of Philosophy* (Introduction of Marx's work), Engels attacks the Utopian Socialists, especially Rodbertus, who had proposed a system of labor money based on a labor theory of value. In his attack, Engels gave an excellent description of the role of a competitive market in resource allocation and guidance of production. "Mises and Hayek could hardly have made the point more forcefully." However, in his and Marx own utopian schemes, he totally ignored the insight in his criticism of the other utopians. Hutchison concludes, "Surely no one in the whole of intellectual history can have looked a major, pressing intellectual and practical problem so clearly and piercingly in the face and then so blithely and confidently passed on without a word." □

# IV

## Social Analysis

The emergence of the concept of society as a distinct entity from that of the state was a slow and gradual achievement. This “depoliticization” of society had ancient roots and increased in tempo with the development of liberalism in the classical sense. Commenting on some essential features of classical liberalism, R.M. Hartwell observes in his introduction to *The Politicization of Society* (Edited by Kenneth S. Templeton, Jr. Indianapolis: Liberty Press, 1979, p. 7):

The fundamental tenet of classical liberalism was the sufficiency of individual self-determination in belief and conduct as the proper basis of economic and political policy. The main principles of liberalism were: first, in the sociopolitical field, individual freedom and, where it was mutually beneficial, collaboration on a voluntary basis; second, in the juridical field, individual property rights, freedom of contract, and the rule of law; and third, in the economic field, freedom of enterprise, in the form of the self-regulating market, unrestrained by political intervention.

Such themes will be found in the following summaries dealing with social analysis. Equally important, however is the *spirit* that informs this liberal attitude to man and his world. The liberal temperament, properly so-called, arises in modern Europe, but it should not be narrowly identified with the field of political economy. In the following summaries, we can discern the embryonic forms of the liberal spirit (though we should be cautious of anachronistic mis-readings) in ancient Greece and Rome. In other cases, social thinkers who were, by no stretch of the imagination classical liberals, provided influential analyses and concepts that led to both liberal and nonliberal insights (see the cases of Plato, Cicero, and Gaius, the Roman jurist).

In effect, several of these summaries provide a useful archeology of the history of ideas; these summaries concern the various concepts and attitudes that were quarried and transformed into the more articulate and self-conscious liberal spirit of the eighteenth and nineteenth century. Thus, David Shaefer's study of Montaigne (“Montaigne's Political Scepticism”)—included in our summaries—opens up for further research the social and political implications of a sixteenth century “litterateur” whose circle included Estienne de la Boétie and Bodin. [Shaefer pursues a parallel analysis of Montaigne as a seminal thinker in modern liberal political philosophy in his article “The Good, the Beautiful, and the Useful: Montaigne's Transvaluation of Values.” *The American Political Science Review* 73 (March 1979): 139-154]. Of course many more scholarly researches are needed to critically analyze the background of the liberal tradition. These researches need to be sensitive to the confused tangle of overlapping political, economic, legal, social, ethical, linguistic, and psychological strands of thought.

# The Depoliticization of Society

Stephen Taylor Holmes  
Harvard University

"Aristippus in and out of Athens." *The American Political Science Review* 73 (March 1979): 113-128.

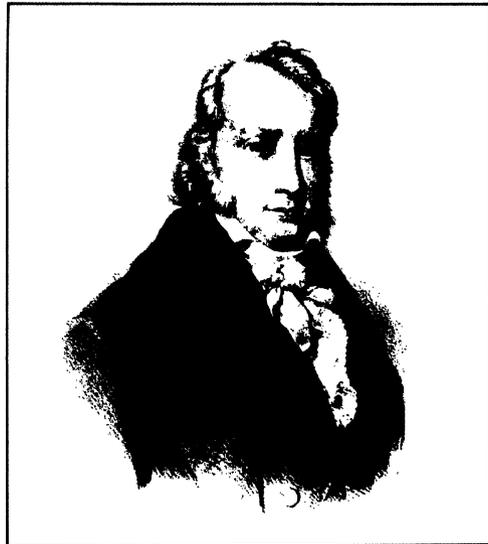
Central concepts of classical Greek political philosophy are today anachronistic and tyrannical because of structural transformations in Western social institutions. For example, the Greeks held that the political state is identical with total society, that the polity is a "whole" that subsumes subordinate "parts." This whole/part scheme was plausible in the ancient Greek *polis* because politics so colored and dominated most social institutions. But this politicized scheme became illusory in modern Europe with the emergence of liberal bourgeois capitalism. The growing independence of such non-political and semi-autonomous social realms as commerce and religion increasingly claimed the now self-conscious individuals' allegiance. In effect, society and free individuals gradually emerged distinct from the state.

Accordingly, modern attempts to revive the now obsolete premises of Greek politicized thinking harbor false assumptions: (1) that the state can be "humanized" as a family or community with a socially unifying purpose; and (2) that individuals are completely "political animals" that realize themselves through political identification. In the modern pluralist and individualist societies, attempts to return to the old Greek politicized whole/part scheme would tend toward tyranny as Benjamin Constant argued in his *De l'esprit de conquête et de l'usurpation* (1814). Constant's crucial insight is that the modern revival of the old *res publica* concept of politics: "only serves to overlegitimize a technically efficient bureaucratic agency with police powers. The idea that only politics provides a 'public space' for human self-realization . . . makes it nearly impossible to understand why citizens might want to resist the coercive encroachments of a hypertrophic state."

Today in the West we enjoy:

plenty of nonpolitical avenues of social interchange, and we take advantage of them everyday. It is, in fact, the rather improbable evolutionary emergence of a pluralistic and 'centerless' communicative network which lends plausibility to the modern liberal notion of 'negative freedom,' and especially to the idea that human beings should be free not to participate in politics.

Today democratic centralism would interfere with the naturally harmonious and voluntary arteries of true social action such as nonpolitical science, law, art, family, education, press, and the economy. Also, the modern separation of state and society renders implausible such classical moral claims (in Plato and Aristotle) as the emphasis on duties instead of rights and the subordination of the individual (or his chosen social agencies) to the all-encompassing state.



BENJAMIN CONSTANT, DEPUTY FOR THE SARTHE

Aristippus, the article's title character, was a North African voluptuary and pupil of Socrates. As founder of the pleasure-approving and earthy Cyrenaic school he rejected the necessity of submerging his personal individuality in the civic collec-

tive. Aristippus believed (says Xenophon) that freedom is incompatible with the politics of ruling or being ruled: "I do not shut myself up in the four corners of a politeia." Today Aristippus has become a type of the modern depoliticized individual.

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## Is Philosophy Politically Subversive?

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**Eva Brann**

St. John's College, Annapolis

"The Offense of Socrates: A Rereading of Plato's *Apology*." *Interpretation* 7 (May 1978): 1-21.

In 399 B.C. Socrates was found guilty by an Athenian court of the charges of corrupting the youth and religious irreverence through his practice of philosophy. Plato's *Apology* gives the indictment as follows: "Socrates does wrong corrupting the youth and not respecting the gods whom the city respects, but other, new half-divinities." We need to appreciate the plausibility of the guilty verdict to appreciate the real threat posed perennially to politics and the "city" by philosophy. The nonliberal tradition of Burckhardt and Sorel perceived how politically subversive Socrates was as the prototype of the questioning philosopher. How would we today deal with an analogous court case involving the perennial Socratic issue of the freethinker in collision with various religious, moral, or patriotic beliefs that we may hold sacred and unexamined?

Was Socrates guilty as charged? Important issues of political philosophy lurk in this question. On the surface Socrates rebuts the specific charges of corrupting the youth and religious impiety; but he turns his defense into an offensive and defiant provocation. His counterindictment of the Athenians—that they lack philosophic self-examination—exposes the political subversion always latent in philosophy.

In a disturbing sense Socrates is "guilty," at least from the perspective of the political city. The Athenian jurors were infuriated by Socrates' tone and style

of defense that invited conviction. On the charge that Socrates had novel notions about the city's gods, the jurors might naturally suspect Socrates' very personal and unorthodox inner voice, his *daimonion*, which pitted private conscience against public law and authority. On the other charge of corrupting the youth, the jury understood that Socrates communicated a "corrupting" esoteric teaching to his inner circle. Socrates' negative teaching, his exposing politicians, poets, and craftsmen to embarrassing cross-examination became an object lesson in skeptical attack for the young.

Decent, nonphilosophic jurors might well be suspicious of how Socrates' *daimonion* made him refrain from participating in politics (31d). "This is Socrates' negative politics: to deny that the public realm is the truly political realm and to assert his inner *logos* intransigently in the service of the city." What public good could result from the Socratic questioning that ended in perplexity and undermined the old orthodoxies? In effect, Socrates' court defense recapitulates his offenses as a philosopher against the city. The *Apology* implies: "When philosophy comes upon the city it comes as a threat." Plato no doubt sensed this danger but also felt that "The side resisting enlightenment also has something vital to defend and should be addressed."

## Plato's Republic as a Political Dystopia

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"Comedy in Callipolis: Animal Imagery in the Republic." *The American Political Science Review* 72 (September 1978): 668-901.

Plato's dialogue, the *Republic* has often been taken as presenting Plato's vision of his own ideal state. The Greek name by which the state is called in the dialogue, *Callipolis* ("the Beautiful City"), at first sight supports this view. In fact, however, Plato's intention in the dialogue was to minimize the role of politics: he presented Callipolis as a city fit only for animals. In this way the customary portrayal of Plato as an enemy of freedom can be reversed: he was in fact a proponent of growth through an inward process involving the social rather than through external action.

Much of the *Republic* is organized in the form of a comedy, which in the Greek usage implies that the weakness of human nature is stressed. Men are presented in ridiculous fashion, and their pretensions are unmasked. This is particularly evident in the work of Aristophanes, whose comedies strongly influenced the *Republic*. For example, Aristophanes' *The Birds* depicts a utopian political society founded, as one

might expect from the title, by birds.

Laughter is a frequent theme in the *Republic*: as Socrates presents the main features of Callipolis, he often laughs or evokes laughter in his audience. In contrast, in the ideal city itself, almost all laughter is banned.

Even more important is the frequent use of animal imagery in Plato's dialogue. The guardian class's breeding policies are compared to animal breeding, and the politician is likened to a shepherd whose concern for his sheep's welfare ends in butchering or exploiting them for his own ends. These references strongly support viewing the Callipolis as something to be avoided.

Plato's actual views on politics may be best discerned in other dialogues, such as the *Gorgias*. He believed in the inner cultivation of the soul. He contrasted self-development with political action in the city, to the detriment of politics.

## Cicero and Modern Political Philosophy

Walter Niegorski  
University of Notre Dame

"Cicero and the Rebirth of Political Philosophy." *The Political Science Reviewer* 8 (Fall 1978): 63-101.

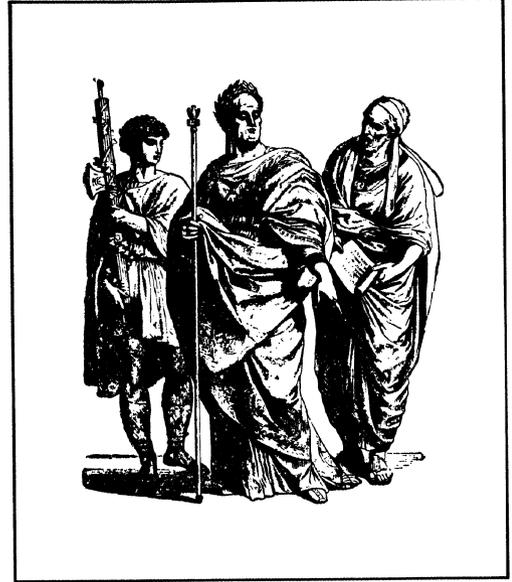
A tradition of hostile criticism—including Plutarch, Petrarch, and most of the nineteenth century, particularly the antiliberal historian Mommsen—has erroneously denigrated and underestimated the Cicero's achievement as a political thinker. This "fabric of criticism" has

created the problem of the "two Ciceros": Cicero the politician, the living man who was pragmatic, vainglorious, and overly attached to Roman power politics; and Cicero the author and moral philosopher, whose philosophic wisdom criticized unjust power and transcended the political

and cultural limits of imperial Rome. Even after we dispose of the canard that Cicero was a "mindless eclectic," we are left to resolve how he tried to reconcile power and philosophy, the city and man, in his political philosophy.

Though only partly successful, Cicero sought to encourage the birth and growth of moral and political philosophy in Rome. His significance as a principled defender of republican liberty and a mediator of the Socratic tradition of moral political philosophy was responsible for a more favorable estimate toward Cicero that was shared by early Christianity, the Renaissance humanists, and the liberal republican tradition in England and revolutionary America. Key works which trace how the classical republicanism associated with Cicero influenced later republicans, particularly the eighteenth century liberal Whigs are: Zera Fink, *The Classical Republicans* (1945), Robert Cummings, *Human Nature and History* (1968); Caroline Robbins, *The English Commonwealthman* (1959); and J.G.A. Pocock, *The Machiavellian Moment* (1975). Yet despite the ferment of recent American scholarship concerning classical republicanism, political philosophers have shown little interest in examining the political thought of Cicero, one of the central thinkers in that tradition because of such works as his fragmentary *De Re Publica* and his *De Legibus*.

Two of the chief names associated with the revival of American political philosophy during the past generation have, however, studied Cicero more intensely: Leo Strauss and Eric Voegelin. It would illuminate the central issues of politics, to see how these two modern mediators of the tradition of political philosophy deal with the ancient Roman mediator of that tradition. Both Strauss and Voegelin regard Cicero as of secondary interest; their de-emphasis of Cicero derives from their underlying principles of political philosophy. Whereas Zera Fink and Robert Cummings stress the continuities of Cicero's political thought with the modern liberal tradition, Strauss and Voegelin stress the discontinuities between the ancients and moderns. Strauss views the moderns as too democratic and not concerned enough with the



moral qualities of a good citizen. Voegelin sees Cicero as "more implicated in the development of Gnosticism and disorder" in an "Ecumenic Age" than in grasping the Platonic insight into being. Yet Cicero, as a bridge between practical policies and philosophy, should have more to offer these two modern political philosophers.

Strauss sees Cicero as a spokesman for the ancient philosophical understanding of politics. Between politics (the city) and philosophy (man) there is a tension. The philosopher, as a defender of the autonomous claims of philosophy before the city, is a potential political subversive. Accordingly, Strauss's analysis of Cicero's *De Re Publica* stresses the difficulty of reconciling justice and natural law or right with the legitimacy of the Roman Empire. Strauss sees a "radical gap between the philosophic life and the civil or moral life, between philosophy and the city."

Voegelin finds Cicero deficient as a penetrating philosopher and too Rome-centered a patriot. Indicting Cicero of "Gnostic immanentization," he believes the *De Re Publica* chauvinistically favors Roman politics over the philosophically ideal city. Cicero, too much a man of his pragmatic "Ecumenic Age," was not in touch with "the order of reality through the revelation of one divine ground of all being as the Nous."

# The Roman Jurist Gaius and Social Thought

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University of Rochester

"Gaius Noster: Substructures of Western Social Thought." *American Historical Review* 84 (June 1979): 619-648.

The second-century A.D. Roman jurist Gaius has exercised continuous, if often subterranean, influence in the development of the social sciences and of social concepts that transcend legal terminology. Although until the nineteenth century Gaius' *Institutes of Civil Law* was available only in the sixth-century summary provided in the *Institutes* of the Emperor Justinian, his method of analysis and approach to law nevertheless was followed by many important figures of medieval and modern history. This situation is in a way paradoxical, since Gaius himself is a neglected figure who has not been studied directly very much. "Gaianism" became a dominant archetype of social analysis. "Though by intent a method of teaching law, his book suggested an epistemology," a paradigm to scientifically study society and culture.

In his attempt to codify Roman law, Gaius proceeded according to a three-fold method. First, he considered persons (including degree of "liberty," kinship, citizenship, and other social status); next objects; and, finally, the relations between persons and objects, i.e., actions. This tripartite classificatory scheme of persons, things, and actions to some extent reflects the influence of Greek philosophy, particularly the systematizing tendencies of Aristotle. In his stress upon beginning with the human world, however, Gaius displays the Roman tendency to avoid metaphysical abstractions divorced from practical considerations. The various uses to which Gaianism was put form "a historical and conceptual sort of palimpsest."

Justinian's summary of Gaius' work altered its emphasis somewhat. (A similar transformation of Gaianism is apparent in each later epoch). Justinian placed greater importance on the power of the state than did Gaius, as one might expect from a Byzantine emperor. Justinian preserved

the tripartite system of organization, however, and it is through his *Institutes* that the medieval jurists became acquainted with Gaius.

Both the twelfth-century commentators on Roman law at the University of Bologna and the thirteenth-century Glasators adhered to the methodological essentials of the Gaian tripartite scheme. Some of them, such as Baldus, the noted pupil of Bartolus, pointed out that the precepts of Roman law were not always true to historical reality.

In the sixteenth century, a revolution took place in legal studies. Some jurists favored a rationalizing method, proceeding in an almost geometric fashion. Others, influenced by the dialectic of Ramus and by humanism, wished to substitute rhetorical for logical principles of organization. Another school favored a more historical approach, wishing to supplement Roman law by feudal and other historical materials. Among the most important in the latter category were the jurists François Connan and Hugues Doneau. The attack upon the universal validity of Roman law was even more marked in the work of Jean Bodin, who argued that the sovereign was not bound by Roman precedent. Nevertheless, all of these writers display Gaian ways of thinking in their work.

The split between rationalist and historically descriptive methods in the study of law widened in the eighteenth century. Leibniz was perhaps the most ardent rationalist of the period, but the work of the great reviver of natural law, Hugo Grotius, shows that the Gaian tradition was still strong during this period.

The rise of the German Historical School of Law, whose greatest figure was Karl Marx's teacher, Friedrich von Savigny, represented a return to the humanistic preoccupations of Gaianism. Its stress

upon particular legal institutions and historical detail as opposed to abstract generalizations did not at all mean that Gaius' tripartite scheme of classification was abandoned. On the contrary, it remained extremely influential, principally through the dominant position of legal studies in

nineteenth-century education. Gaian categories played an important role in the rise of sociology, since the founders of the discipline were indebted to Savigny, who used the Gaian plan in his studies of Roman law.

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## The Myth of Social Hierarchy

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"The Myth of Natural Hierarchy." In *The Politics of Social Knowledge*. University Park, Penn.: The Pennsylvania State University Press, 1978, pp. 1-22.

One of the major obstacles to progress in the social sciences has been the adoption of the assumption that social hierarchy is inevitable. Supporters of this view usually combine with it the claim that human nature is basically evil and irrational. The proponents of these anti-libertarian approaches are usually social reformers, regarding society as an object to be manipulated. A more productive attitude toward progress in the social sciences involves questioning the heroic assumption that social scientists can remake society. All such plans imply restrictive rules limiting social experimentation, which in their irrationality and self-defeating character are analogous to the thought processes characteristic of schizophrenia. One of the pioneers of a sounder analysis in the social sciences has been the psychologist Trigant Burrow, who believed that social neuroses should be studied from a biological standpoint.

The defenders of social hierarchy support their view by four types of arguments: psychological, contractual, metaphysical, and empirical. The first type assumed that command and obedience are intrinsic to human nature. Since, however, some

people command while others must obey, the postulates of human nature suggested by this model are violated in hierarchical organizations. Similarly, in the contractual model, only those in power have freedom; the social contract makes the allegedly free contractors into slaves of the government. Metaphysical arguments about the necessity of order are arbitrary, and the empirical argument that non-hierarchical organizations cannot function ignores contrary evidence.

All of the arguments in favor of hierarchy rest on moves designed to make the position they defend infallibly true. For example, power will be defined in such a way that any claim that a non-coercive relationship exists will simply be defined away as a covert exercise of power. Such a procedure of making one's arguments true by definition should be replaced by a more open epistemology. As Paul Feyerband has pointed out, science has progressed through an "anything goes" policy of free experiment.

The same policy is needed in social affairs. Instead of a rigid hierarchy, freely experimenting social institutions should be encouraged.

## Contract and Political Thought

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"The history of Contract as a Motif in Political Thought." *The American Historical Review* 4 (October 1979): 919-944.

The idea of contract has of course been crucial in the development of theories concerning liberty. The history of contract has been impeded, however, by a false paradigm elaborated by Otto von Gierke, which has dominated scholarly inquiry on this topic. Gierke's model should be replaced by one which emphasizes the linguistic and historical context of the various contractarian authors. We need to devote special care in determining what actually constitutes social contract.

Gierke, in his great work *Das deutsche Genossenschaftsrecht*, which appeared between 1868 and 1913, judged writers on contract by the extent to which they approximated an ideal model. The model contained two contracts: (1) a social contract establishing a government, founded upon the natural rights of individuals; and (2) a contract of lordship, in which the already constituted society determined its form of government.

Although the social contract was logically prior to the contract of lordship, it in fact succeeded it historically. Many medieval writers, Gierke claimed, accepted the notion of a contract of lordship and it had become by the early modern period a commonplace of discussion. What was new was the contention that society itself rested upon contract, a theory which Gierke found most elaborately developed by Althusius.

Gierke's overemphasis upon the dual contract ideal as an ideal model misleads him into downplaying authors such as Hobbes and Rousseau who do not adhere to it, even though they are major figures in the history of the idea of contract. Gierke often anachronistically judges (and misreads) writers by how they conform to a model which had not been formulated at all at the time they wrote. His misuse of evidence is especially apparent in his

treatment of the sixteenth-century Spanish scholastics such as Suarez. Also, although Gierke regards Althusius' work as the culmination of the idea of contract, he is forced to admit that later writers did not accept the allegedly essential points of the ideal model of contract which Althusius had developed.

If Gierke's paradigm is abandoned, one can see that the view of contract held, for example, by the French Huguenots in the sixteenth century was not a contract theory as that term is understood today. Mornay, the probable author of the *Vindiciae contra tyrannos* (1579), postulated two contracts: (1) one between the king, the people, and God; and (2) the other between the king and people by themselves. He did not, however, believe that the institution of monarchy had been established on a contractual basis.

Similarly, the Calvinist theologians such as Theodore de Bèze who wrote on the issue of resistance emphasized the role of the fundamental laws of the kingdom, which were non-contractual. Even Gierke's great exemplar Althusius, although he did indeed found social institutions on contract, did not maintain that it was individuals who made the contracts. On the contrary, families and associations were the proper parties in a contract.

The connection between contracts and individual rights was first made by the English Levellers of the seventeenth century, such as Richard Overton. They did not have a notion of the state of nature, however; this was an innovation of Thomas Hobbes. The Hobbesian doctrine did not supplant the earlier ideas of a constitutional contract, in which some fundamental laws and institutions were held to lack a contractual basis. Both doctrines may be found, for example, in the work of John Locke.

## Private vs. Public: the Domain of Freedom

Herman Van Gunsteren

"Public and Private." *Social Research* 46 (Summer 1979): 255-271.

Political observers have noted a curious similarity in the political positions of right- and left-wing radicals. In recent years, this convergence has even led to joint conferences between the two groups. A common hatred of political bureaucracy and a call for decentralization comprise two important elements of this new consensus.

A second issue also unites both new-left radicals and neoconservatives: i.e. where does a just society draw the line between the public and private sectors? They differ sharply, however, as to where each party would draw that line. Nonetheless, the distinction between *public* and *private* pervades both ideologies. Prof. Van Gunsteren traces the roots and logic of the public/private dichotomy and next discusses the problematical nature of the modern corporation, an entity which defies classification in this traditional Western framework.

What are the contrasting elements which constitute our conception of what is public and private? Obviously, settings vary for each sphere, for example, homes vs. law courts. Activities take on different meanings depending on whether they occur in public or private settings. (It makes a big difference whether President Carter kisses Jacqueline Kennedy in public or alone in private.) Furthermore, the standards of the public sphere are objective (embodied in a constitution or corpus of law), and they allow for public access to all those considered members of the public. On the other hand, access to an area in the private sphere (a home or club) is under the subjective decision of the owner. In addition, each sphere utilizes differing forms of control over the actions of others: authority backed up by power and force in the public domain; self-interest, love, hate,

and expertise in the private domain.

Throughout Western history, the distinction between public and private space has been essential to freedom and to the idea of the individual person. The existence of free individuals rests upon the act of self-awareness. Self-awareness occurs because human beings are able to view themselves from an excentric position. They can assume a "metastandpoint" from which they critically evaluate the relationship that exists between themselves and the environment. This objective metaspace belongs, by its very nature, to the private realm. Modern political thinking, thus, postulates the maintenance of the public/private boundary as basic to the possibility of freedom.

To many, this distinction has become, in its deepest sense, sacred. Violating it (doing private things in public) is viewed as a moral pollution. As a result, the separation between the two realms should not be tampered with lightly.

The modern corporation *does* seem to blur the distinction, which makes it an incompletely assimilated element in modern life. Defined as a legal person, enjoying many of the freedoms and protections intended for individual persons, the corporation also possesses enormous capital reserves and makes decisions which may deeply affect the structure of society and the lives of individuals.

Government cannot effectively control corporations, since business traditionally may not be forced to produce. Unpopular government measures merely result in reduced investment with, at times, seriously negative social consequences, such as a depression. What is more, no recourse exists against a private decision which produces widespread public repercussions.

Finally, the modern corporation pos-

sesses a force in both the private and public domains which few, if any, individuals can match. The status of the corporation, thus, makes a mockery of the "equality" of

persons under the law, since few individuals can exert influence with their freedoms when such powerful competitors crowd the field.

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## *Montaigne and the Value of Tolerance*

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"Montaigne's Political Skepticism" *Polity: The Journal of the Northeastern Political Science Association*  
11 (Summer 1979): 512-541.

Michel de Montaigne (1533-1592) and his philosophic successors urged the value of earthly well-being over the life-denying pretension of glory and otherworldly virtues. These attitudes are largely responsible for the prosperity and liberty we today enjoy as members of a liberal commercial society. In particular, Montaigne's genial skepticism and tolerance, as expounded in his longest essay, "Apology for Raymond Sebond" (II, 12) make him an early seminal architect of modern liberal political theory.

On the surface, Montaigne's "Apology" professes to be a defense of the rationalist *Natural Theology* of the fifteenth century writer Raymond Sebond. In reality, Montaigne uses his apparent subject as a cover to inculcate the spirit of tolerant and liberal skepticism. The "Apology" provides a theoretical justification for such central tenets of liberal politics as toleration and a "technologically oriented natural science." It also critiques both conventional philosophy and religion. Man should see himself in continuity with animals in order to confirm the desirability of such tangible and earthly goods as peace, comfort, and health. But man can transcend mere beastiality through skeptical reason. In fact, nondogmatic reason is politically desirable. Traditional re-

straints on human barbarism (e.g. religions, moral precepts, fear of punishment) have failed; moderation, skepticism, and science will be humane substitutes for dogmatic extremism. Montaigne's epistemology—a form of moderate falsifiable empiricism—keeps human minds open and tolerant of future innovation. Such a tolerant skepticism will lead to scientific free inquiry and political tolerance.

Montaigne's tolerance for acquisitiveness, self-indulgence, and scientific progress leads to earthly peace. "Thus, each individual will be tolerant of the liberty of others . . . because his goals do not require that others be subordinate to him." "The public principle of society ought to be: let each go his own way, so long as he respects the equal liberty of others." Thus Montaigne's skeptical materialism aimed at a liberal commercial society. Montaigne and his successors—Bacon, Hobbes, and Locke—sought to place earthly happiness ahead of such self- and other-denying "virtues" as glory and salvation. Yet one problem remains and has inspired the criticism of Rousseau, Nietzsche, and Heidegger: Does Montaigne's relativism and tolerance for the free play of commercial bourgeois individuals tend toward the stability of civil liberty?

# Commerce, Utility, Character, and Republicanism

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"Commerce and Character: The Anglo-American as New-Model Man." *The William and Mary Quarterly* 36 (January 1979): 3-25.



**MARYLAND.**

**T**he political theory which lies at the basis of the American Revolution rests upon a view of human nature which challenges the assumptions of classical political philosophy. The supporters of "commercial republicanism" such as Montesquieu, Hume, and Tocqueville elaborated a new model of political virtue.

The commercial republicans challenged the pursuit of glory praised by classical political theory. While not denying the achievements of Sparta, for example, writers such as Hume claimed that the attempt to achieve heroic virtue contradicted the requirements of human nature. Montesquieu pointed out also that

the other worldly values taught by Christianity went counter to the imperatives of the human condition. Classical political philosophy assumed that truth and virtue were ideals attainable only by an elite. In contrast, the commercial republicans believed that one ought to accept human nature as it actually is in practice.

This more realistic policy led to an emphasis on utility. If society were founded upon each person's pursuit of his own interests, no unrealistically high standard of behavior would be needed for a society's continued existence.

Furthermore, the commercial republicans argued that emphasis on utility would tend to civilize men and, by downplaying glory, de-emphasize militarism and encourage peace. Writers in this tradition such as John Adams assumed that the actual business of government would be the task of a small group. The rest of society would be confined to commercial occupation; but, since utility was the paramount virtue, the majority's sense of self-esteem would be strengthened.

Some of the commercial republicans recognized that the form of society they favored had weaknesses. Adam Smith thought that preoccupation with economic matters might tend to narrow human nature, and Tocqueville feared that the dissolution of social ties not founded upon self-interest might result in collectivism and dictatorship. In spite of these dangers, the commercial republicans believed that the benefits of the new type of society outweighed its costs. "And oddly enough, a system that frees men to try to satisfy their physical wants is more apt than any likely alternative to lead them to see their need for liberty."

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# Quintin Skinner and Western Political Thought

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Review article of Quintin Skinner's *The Foundations of Modern Political Thought*. In *Journal of the History of Ideas* 40 (Oct.-Dec. 1979): 663-673.

Quintin Skinner's recent two-volume work on the development of political theory in early modern Europe is likely to achieve the status of a classic. Its stress upon resistance to the state in this period provides an important background for modern concepts of liberty, revolution, constitutionalism, and republicanism.

Skinner shows that republicanism was not the product of Renaissance humanism, as Hans Baron and others have argued, but had already emerged among the Italian city states during the Middle Ages. Also, the defense of the *de facto* sovereignty of the city republic by the jurist Bartolus was especially influential.

Skinner's first volume culminates in an analysis of Machiavelli, whose stress upon the role of the prince Skinner shows to be in the tradition of Italian humanism. One of the strongest features of Skinner's method is his careful presentation of the secondary writers in a given period. Instead of concentrating on a few great theorists, as many historians of political and social philosophy do, he develops the complete intellectual and cultural context in which the major theorists wrote. For example, one is in a position after reading Skinner to understand Machiavelli's true originality, by seeing how he modified the existing paradigm of political writing.

Skinner gives an elaborate treatment of

resistance to the state during the sixteenth century. He shows that the Calvinist opponents of royal authority in France often relied on scholastic writers in the work; he maintains that there was no distinctively Calvinist political theory as such. Similarly, as Lutheranism developed, its devotees met the increasing opposition of the Emperor by advocating resistance by the Protestant princes to the mandates of the Imperial Diet.

Besides the tradition of constitutional resistance to authority, the sixteenth century was also characterized by the rise of absolutism. Skinner views Jean Bodin as the leading absolutist theorist, although he is careful to present the remnants of constitutionalism present in his work. Skinner regards George Buchanan as exemplifying the opposite tradition, that of resistance to political authority, to its highest degree, because of Buchanan's secular approach. It is questionable, however, whether Skinner is correct, since the Calvinist writers of the sixteenth century seem more radical.

Skinner should be commended for his use of a variety of historical sources. He at times perhaps fails to distinguish adequately between legal materials used to make a case and works of political theory. □

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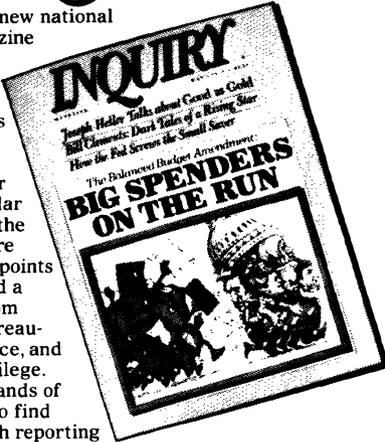
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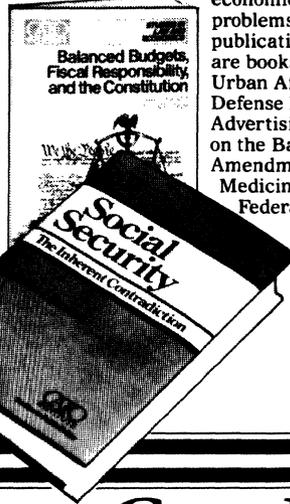
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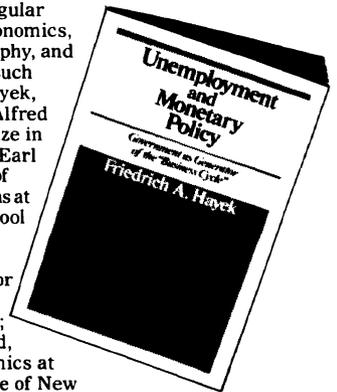


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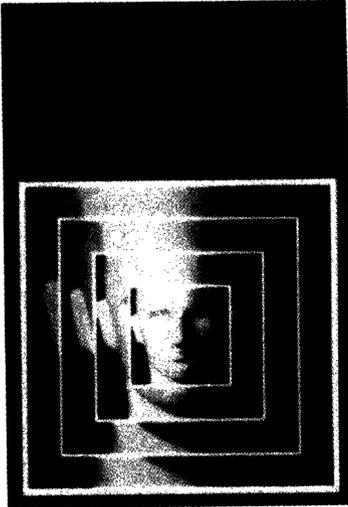
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