



## ABSTRACT

### TWO ESSAYS IN THE HISTORY OF SHORT RUN LABOR SUPPLY THEORY

By

Robert Sandy

This dissertation describes the evolution of short run labor supply theory in English economics from William Petty through Karl Marx and shows the significant role played by short run labor supply theory in the systems and policies of such economists as Bernard Mandeville, James Steuart, Adam Smith, Thomas Malthus, John R. McCulloch, J. C. L. Sismondi, and the anonymous author of Consideration on Taxes . . . [1765].

The dissertation demonstrates the importance of the topic of encouraging labor effort to English economists from William Petty through Adam Smith and how this issue developed into a debate between the advocates of a policy of high wages and the advocates of a policy of low wages. It draws the conclusion that historians of economic thought have not appreciated the number of high wage advocates. Another conclusion reached in the dissertation is that the term "mercantilist" cannot be applied exclusively to low wage advocates.

Further, the dissertation shows how and why the subject of short run labor supply was de-emphasized after Adam Smith. Nevertheless, it proves that short run labor supply theory played a subsidiary

but definite role in classical economics, which has hitherto not been recognized by historians of economic thought. The dissertation details how John R. McCulloch used short run labor supply responses to explain changes in the customary standard of subsistence and how J. C. L. Sismondi and Thomas Malthus used short run labor supply responses as part of their explanations of recessions.

Lastly, the dissertation draws some general conclusions regarding what caused some economists to devote attention to short run labor supply and how the various theories of short run labor supply depended on different models of human nature.

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## I. INTRODUCTION

### Objectives

This dissertation has two objectives: first, to describe the evolution of short run labor supply theory in English economics from William Petty to Karl Marx, and, second, to show how short run labor supply theory was used in the systems of the English economists. The word "system" refers to the body of coherent and elaborated theory held and the set of policies advocated by an economist. The term "short run labor supply" refers to the effort exerted by the existing population.

In meeting the above objectives, the views of different economists on short run labor supply will be described briefly in some instances and in detail in others. Some economists did not have an elaborated system, and the ideas of these authors will be described only as they contributed to the evolution of theories or policies among those economists who had systems within which short run labor supply played a significant role. The views of these economists, a group including Bernard Mandeville, James Steuart, Adam Smith, Thomas Malthus, John R. McCulloch, J. C. L. Sismondi, and the anonymous author of Considerations on Taxes . . . [1765] (hereafter referred to as Taxes), will be discussed in detail.

### Method

The first methodological issue relates to the question of which economists need to be described in order to give an accurate account of the evolution of short run labor supply theory. One rule adopted has been to include every well-known economist who made any use of short run labor supply. Several historians of economic thought have described the labor supply theories of those economists who wrote between 1665 and 1776, and, thus, a second rule has been to include those economists mentioned by historians of economic thought.

The second methodological question is related to the organization of a presentation of the theories of labor supply. These theories lend themselves to a division into two essays. The first essay, entitled "Short Run Labor Supply in Pre-Classical Economics," will cover the economists between and including Petty and Smith. The second essay, entitled "Short Run Labor Supply in Classical Economics," will cover the economists from Smith through Marx. The two essays will not have the same organization. Because there were no schools of thought developed around the leading figures in the pre-classical period, the presentation will be in chronological order. The essay on the classical economists will be organized around the sub-schools of their thought.

### Preview of the Conclusions

A statement of the main conclusions of the dissertation serves two purposes: to inform the reader sufficiently that he can determine if the evidence presented supports the conclusions and

to establish the contrast between the conclusions of this dissertation and the conclusions of previous historians of economic thought.

From Petty through Smith, English economists had a central concern to promote economic growth and to develop England as a great commercial power. Each thought that economic growth depended on the amount of effort of the existing population, and, therefore, each believed that rapid economic growth required the immediate mobilization of the labor force. These economists devoted a great deal of thought to the slope of the short run labor supply curve and, given that slope, to the appropriate public policies for increasing workers' effort.

For the economists writing shortly after the time of Smith and through the period of Marx, the question of how to mobilize the labor force was de-emphasized because of historical circumstances which will be discussed below.

From Petty through Smith, two opposing points of view developed. One was that a policy of low wages would insure the greatest labor effort, and those economists who adopted this viewpoint will be called "low wage advocates." The other was that high wages would insure the greatest labor effort, and the economists who adopted this viewpoint will be termed "high wage advocates." This terminology differs from previous usage by some historians of economic thought (see the section on research) who have referred to high wage advocates as liberals and low wage advocates as either conservatives or mercantilists. These terms, however, seem to be portmanteaus which carry a number of unwarranted connotations. A liberal economist, for

instance, favors a minimum of government regulation, but some of the high wage advocates favored pervasive government regulation. Or, again, the word "conservative" connotes a person who wants to preserve existing institutions and social relations, but some of the low wage advocates were revolutionary in their willingness to scrap institutions and to reshape social relations. The essay on the pre-classical economists will show that the term "mercantilist" cannot be applied exclusively to the low wage advocates.

Both the high and low wage advocates developed models of human nature from which they deduced their respective theories of short run labor supply, and both groups developed policies which they thought would promote greater labor effort. These models, theories, and policies gradually evolved over time as impractical policies were dropped, promising policies were refined, and their systems were made logically consistent. The final position of the low wage advocates was presented in Taxes in 1770. The final position of the high wage advocates was presented by Adam Smith in 1776.

According to Taxes, workers were only concerned with the immediate gratification of physical desires and were not motivated by emulation or pride. Using this model of human nature, the theory was that the physical desires of workers required only a fixed and very limited set of goods and that workers, consequently, expended only enough effort to acquire these goods. At high wage rates, they would work a few days a week to satisfy needs and at low wage rates they would need to work six days a week to satisfy the same needs. The supply of labor was backward sloping with hours as an inverse



function of wage rates and with an elasticity close to minus one (a fixed level of income would yield an elasticity exactly equal to minus one). Economic growth, therefore, required a set of policies that would lower wage rates, and Taxes suggested three policies. One policy was to put high excise taxes on all articles consumed by the working class, a measure which would effectively lower the real wage rates. The second policy was to offer English citizenship to any immigrant, with the increased immigration increasing the supply of labor and lowering wage rates. The third policy involved the management of the unemployed and the disabled. Taxes suggested the elimination of private charity because it interfered with the rational management of the unemployed and the disabled. All relief was to be given in public workhouses with the regimen of the workhouse so strict that only the truly destitute and disabled would seek its shelter. The able-bodied unemployed, of course, would spare no effort in finding alternate employment.

According to the counterview of Adam Smith, workers' desires for goods were based on a desire to maintain or to improve their social standing. When high wage rates prevailed workers would try to emulate the standard of living of the classes immediately above them and would consequently choose to work longer hours. Thus, he thought, economic growth required a set of policies which would both foster this emulation and maintain high wage rates. One policy to raise real wages was to keep food prices low. This policy included eliminating the bounty on exporting grain, granting freedom to import grain, and extending cultivation of the land. The elimination of

excise taxes on articles consumed by the working classes would also raise their real wage rates. Further, elimination of the settlement laws and guild barriers would allow workers to sell their labor in the best market, and social emulation would be enhanced by public education.

The first essay will show how the low wage advocates' position evolved into the system proposed in Taxes and how the high wage advocates' position evolved into the system elaborated by Smith. The essay will show how the issue of mobilizing the labor force affected numerous questions of public policy, will describe how the high and low wage advocates attempted to prove that their systems were correct, and will also show how, after 1690, there were more high wage advocates than have been hitherto recognized by historians of economic thought.

Shortly after Adam Smith's time, the question of how to mobilize the labor force in order to maximize economic growth ceased to be the central concern. Nevertheless, short run labor supply theory did play a small role in classical economics. The term "classical economist" refers, in this dissertation, to those English economists who wrote between the times of Smith and Marx as well as to Jean Baptiste Say and J. C. L. Sismondi who are included for discussion here because they were part of the development of English thought in this period.

The essay on the classical economists will detail two uses of short run labor supply theory. The first use is with respect to changes in the customary standard of subsistence. Several classical

economists, McCulloch the most prominent, thought that the customary standard of subsistence could change rapidly and that changes in this standard were governed by the responses of short run labor supply. The second use of the theory is by Sismondi and Malthus who used short run labor supply responses in their explanations of gluts or recessions. Malthus and Sismondi thought that a relatively fixed desire for consumer goods or equivalently a strongly backward sloping labor supply function was part of the cause for gluts of unsold commodities.

At the end of the two essays, some general conclusions will be drawn regarding what caused some economists to devote attention to short run labor supply and how the various theories of short run labor supply depended on different models of human nature.

### Previous Research by Historians of Economic Thought

#### The Pre-Classical Period

Karl Marx.--Karl Marx was the first historian of economic thought to comment on the debate between the high and low wage advocates. For Marx, the low wage advocates were capitalists who had a "werewolf hunger for surplus labour,"<sup>1</sup> while the high wage advocates were sympathetic towards laborers:

The fact that they could live for a whole week upon the wages of four days did not seem to the workers any reason why they should work the other two weekdays for the capitalist. One section of the English economists, writing in the interest of capital, denounced this obstinacy in the most savage terms; another section defended the workers.<sup>2</sup>

To illustrate the capitalist position, Marx primarily quoted the anonymous author who has been referred to as Taxes.<sup>3</sup> Marx described Taxes as "the most fanatical champion of the industrial bourgeoisie in the eighteenth century."<sup>4</sup> Taxes was quoted with such frequency by Marx and other historians of economic thought that this anonymous source has greatly influenced the modern conception of what eighteenth-century economists said about labor supply.

Lujo Bretano.--Lujo Bretano felt that Germany was a second-rate industrial power because of the low productivity of its labor force, and he tried to prove that a high wage policy would increase productive effort sufficiently for Germany to win "the first economic place among the surrounding nations."<sup>5</sup> To support this theory, Bretano reviewed what preceding economists had had to say about labor supply, and, as he described the English debate, Bretano discerned a shift in the views of English economists. Prior to 1750, he argued, almost all economists were low wage advocates, but after 1750 "a reaction begins to set in" and a series of authors maintained "that high wages are equivalent to greater production."<sup>6</sup> Bretano also cited Taxes as an example of low wage advocate views; indeed, he referred to one of the books from this source as "the most dramatic presentation of these views."<sup>7</sup> Bretano argued that the change in economists' views on labor supply was a reflection of a change in the condition of the laborers: "the English workmen . . . in the seventeenth and first half of the eighteenth century . . . were still wholly under the dominion of custom . . . [and] the view of Petty

and the rest was thus quite sound."<sup>8</sup> The pressure of increased competition caused by industrialization after 1750 "sundered [the English laborer] from old use and wont [and] they too felt new needs."<sup>9</sup> "The one explanation of the contradiction between the [earlier and latter] doctrines is to be found in the fact that the working class has changed."<sup>10</sup>

Edgar Stevenson Furniss.--Edgar Stevenson Furniss wrote his doctoral dissertation on the position of the laborer in England during the period 1660-1775,<sup>11</sup> with a revised version of this study published two years later.<sup>12</sup> Ironically, Furniss' purpose in reviewing the debate on labor supply was to demonstrate that World War I had caused a reappearance of the excesses of "eighteenth century nationalism"; he wanted, in short, to depict the circumscribed life of a laborer under a nationalist regime.<sup>13</sup> Furniss' book is a work of great scholarship, and it remains the best reference work on the subject of labor supply in this period. In it, Furniss argued that almost every English economist between 1660 and 1775 believed that lowering wages would increase the supply of labor, and he was the first to show that there were three broad policies formulated by the low wage advocates which were designed to increase the quantity of labor. These were the use of excise taxes to raise the prices of food, clothing and other essential goods, the attempt to promote immigration so that the pressure of new competitors in the labor market would lower wages, and the suggestion to use physical coercion such as whipping or penal workhouses. Furniss did not attempt to

trace the historical development of these ideas; he simply quoted a variety of authors under each topic to point out the overall low wage advocate position. However, a brief quotation is sometimes not representative of an author's thinking on a given subject. This essay is thus organized on an author-by-author basis to avoid misrepresenting any author's position. An attempt was made to read every book on economics written by the authors covered in the dissertation and to draw together a balanced view of everything they wrote on labor supply. Throughout Furniss' exposition of these topics, Taxes is the most frequently-quoted author.<sup>14</sup> Taxes has greatly influenced the present conception of eighteenth-century views on labor chiefly because Furniss' conclusions were so widely adopted by later historians of economic thought.<sup>15</sup>

A. W. Coats.--A. W. Coats revived the thesis of Bretano to the effect that the views of high wage advocates became more prominent after 1750 because the industrial revolution had changed the character of the labor force.<sup>16</sup> Coats supported this thesis by citing a number of high wage advocate authors who wrote after 1750. However, a careful study of the question--"did the high wage view 'gain' relative to the low wage view?"--would require an assessment of their relative positions before as well as after 1750.

Richard C. Wiles.--Richard C. Wiles argued that many high wage advocates could be found prior to 1750 and that there was no shift toward high wage views at that date,<sup>17</sup> but Wiles also reviewed only high wage advocates. While Coats used the word "liberal"

instead of "high wage advocate," Wiles used the terms "high" and "low" wage advocates.<sup>18</sup>

### The Classical Period

There are no monographs or articles about short run labor supply in classical economics. The view expressed in a recent article probably represents the consensus among historians of economic thought: "The classical economists had little interest in the topic [of short run labor supply] . . . they dealt almost exclusively with the long run macro-economic aspects of labor, regarding the supply as determined by the Malthusian law of population."<sup>19</sup> Historians of economic thought, however, have not been completely silent on the subject of short run labor supply in classical economics. Two historians of economic thought have recently attempted to describe the entire system of classical economic theory in a compact and logical manner, and both descriptions required a short run labor supply function to derive a wage rate which would prevail in the short run. One author asserted that the general position of the classical economists was that the short run supply of labor was forward-sloping while the other author asserted that classical economists generally believed it was perfectly inelastic.<sup>20</sup>

The conclusions to be drawn in the essays on pre-classical and classical economic thought differ significantly from the conclusions by some historians of economic thought. Furniss' conclusion that high wage advocates were a small minority in the pre-classical period will be refuted, and the thesis supported by

Bretano and Coats, that the high wage advocate position emerged after 1750 and that there was a general shift in the opinions of English economists towards the high wage advocates between 1750 and 1776, will also be called into question. The essay on classical economics will demonstrate that short run labor supply played a subsidiary but nonetheless definite role in the systems of some classical economists and that the general classical view of the short run labor supply function is far too complex to be summarized perfunctorily as either perfectly inelastic or forward-sloping.

#### Choice of the Starting Date

In his dissertation, Furniss did not explain his reasons for choosing the starting date of 1665, but, nevertheless, there are sound reasons both in the material and in intellectual history to date the description of short run labor supply theory at or near this point. This date represents a watershed in economic policy because ideas introduced by Misseldon and Mun about the benefits of a favorable balance of trade in the 1620's had percolated through the public mind and the restored monarchy was now in a position to translate those ideas into policy.<sup>21</sup> This new policy would promote a favorable balance of trade through a system of bounties and tariffs, and, thus, the date in many respects marked the "economic exit from medievalism."<sup>22</sup>

The reason for this new policy was the conviction that England could be transformed into a great commercial power like Holland which was "the leading economic power of the day."<sup>23</sup> To English



economists, Holland provided a model of the prosperity and power possible for a great commercial state. Indeed, several English economists contrasted Holland's advanced state of economic development to England's backwardness.<sup>24</sup> This contrast involved every aspect of their respective economies. Holland exported a variety of manufactured goods which England did not have the technology to produce. Holland's agriculture was much more efficient and capital intensive than England's. Holland was densely populated and England underpopulated, and the contrast in the quality of the housing and clothing throughout the various social ranks pointed out dramatically the differences in personal wealth between England and Holland. Finally, the Dutch labor force was characterized as sober, frugal, and extremely hard-working while English laborers were viewed as lazy, spendthrift, and constantly drunk.

The ambitions of the English economists pointed to the necessity for a complete transformation of the English economy, and the nature of these ambitions--expanding manufacturing, deep-sea fishing, the carrying trade, and agriculture--in turn required an increase in labor effort. The activist and expansionist outlook of the English economists shortly after 1665, then, forced them to consider the problem of how to mobilize the labor force. But the commencing of such ambitious plans was hampered by a series of disasters that lowered England's population:

The country complains of small vend of commodities, which proceeds especially from want of people; for our people were consum'd mightily in these late years, some three hundred thousand were killed in the last civil wars, and

about two hundred thousand have been wasted in re-peopling Ireland: and two hundred thousand lost in the great sickness [the plague] and many more gone to plantations.<sup>25</sup>

A recent study of the plague estimates that perhaps one fifth of the English population was killed by the disease in 1665 and 1666.<sup>26</sup>

Compounding these problems was the fact that in 1666 most of the city of London was burned down in what is referred to as the "Great Fire."

Finally, 1666 to 1669 were years of good harvests.<sup>27</sup> Each of these events helped to raise real wages which had been declining over a long period.<sup>28</sup> The decline in population lowered the demand for food. The Great Fire increased the demand for labor throughout England because laborers were recruited from all over England, Wales, and Scotland to rebuild the city.<sup>29</sup> The good harvests increased the supply of food, and many economists complained that during these bountiful years laborers were choosing to work only a few days a week. This complaint was not altogether new,<sup>30</sup> but the new expansionist ambitions gave these complaints a new urgency. In the 1670's, a series of economists wrote that the blame for England's economic problems could be placed squarely on the shoulders of an incorrigibly idle labor force. Still, these events mark the beginnings of the search for a set of policies which would insure sufficient effort by the laborers and, thus, mark also the appropriate point at which to begin a description of short run labor supply history in English economics.

Material Circumstances That Account for the  
De-Emphasis of Short Run Labor Supply  
After Adam Smith

Although this dissertation is focused on the history of economic thought, some attention will nevertheless be given to the economic history which provides a necessary perspective on the causes for changes in intellectual history. Unfortunately, a controversy exists among economic historians about the changes in the English labor market during the industrial revolution. One version of this history was popularized by the Hammonds in the early Twentieth Century, but various parts of their description have been challenged. The following section will recount the Hammonds' view of the industrial revolution, describe the challenges to that view, and point out the areas of consensus among economic historians. Finally, this section will ask if those areas of consensus explain why short run labor supply was eventually de-emphasized.

The Hammonds wrote three books on the circumstances of English laborers before and during the industrial revolution.<sup>31</sup> According to the Hammonds, the majority of workers in England prior to 1750 were agricultural laborers. While many of them were day laborers who worked for tenant farmers almost all agricultural workers had access to some land of their own such as a large garden adjacent to their cottage or a portion of and the right to use the village's common land. The earnings from wages, supplemented by the returns from their own land, provided the income for a comfortable standard of living for most agricultural workers and forestalled the necessity for rural laborers to move to urban labor markets.

After 1750, a series of improvements in agricultural techniques reduced the need for agricultural labor, and the enclosure movement took away the small plots of land to which almost all laborers had previously had access. A depression in the agricultural laborers' standard of living ensued, and they flooded the urban labor markets. Urban wage rates were depressed and employers took advantage of the distress by lengthening the work day and enforcing factory discipline and a rapid work pace. Despite great gains in labor productivity, then, the industrial revolution was marked by a severe decline in the laborers' standard of living.

One of the challenges of this view in the Hammonds' history is the evidence that improvements in agricultural technique and the enclosure movement did not release any labor for the urban sector:

The advanced farming systems of the period up to the middle nineteenth century were to a large extent labour-intensive rather than labour-saving, and machinery that economised drastically in labour was not widely adopted before 1850. In England and Wales the agricultural labour force continued to expand up to the 1850's.<sup>32</sup>

Another challenge appears in the evidence that the enclosure movement neither freed any labor for urban labor markets nor materially reduced the rural laborers' access to land.<sup>33</sup> Still another challenge arises with the evidence that the decline in the agricultural laborers' standard of living was limited to certain areas and did not commence until 1816.<sup>34</sup> One study of labor migration concluded that there was little rural-to-urban migration from the depressed agricultural areas to the growing towns.<sup>35</sup> Finally, the assertion that either the standard of living or the wage rates declined has

been the center of a hurricane of controversy.<sup>36</sup> A recent article which reviewed every wage and price series constructed for the period covered by the industrial revolution concluded that the standard of living was either constant or advancing at about 1% per year.<sup>37</sup>

Despite these challenges to the Hammond's history, a consensus remains that the average work week lengthened over the period 1750 to 1850.<sup>38</sup> Any precise estimates are impossible because of the wide practice of absenteeism, which is sometimes referred to as Saint Monday and Saint Tuesday, before and during the industrial revolution.<sup>39</sup> Freudenberger and Commins estimate that the average work week before the industrial revolution, net of absenteeism, was on the order of thirty hours,<sup>40</sup> but, while they do not provide an equivalent estimate for the period from 1750 to 1850, they deny that the lengthening of the average work week represents evidence for an increasing immiserization of the labor force. Their thesis, rather, is that the work week was constrained by inadequate diets: laborers wanted to work longer hours but they did not have the energy.<sup>41</sup>

What is clear is that there was a rapid increase in the labor force during the industrial revolution because of increases in population.<sup>42</sup> At the same time, however, there was a rapid increase in the demand for labor, and both the pessimists and optimists on the standard of living controversy have admitted that the gains or losses were probably slight and that it is unclear whether the growth in supply outpaced the growth in demand or vice versa. At

last, it is not certain that there was a greater labor surplus in the years between 1750 and 1850 than in the preceding century.

The only unchallenged assertion from the Hammonds' history is that the average work week increased--a fact which could be a part of the explanation of the decline in interest with respect to the short run supply of labor. As the average work week lengthens, the opportunities for accelerating economic growth through further increases in the work week can be seen to narrow. The essay on short run labor supply in classical economics will show, as well, that another reason for the de-emphasis of short run labor supply was the classical economists' focus on long run population changes.

#### FOOTNOTES: INTRODUCTION

<sup>1</sup>Karl Marx, Capital (London: J. M. Dent and Sons Ltd., 1962), 1:269. The first edition was published in 1867.

<sup>2</sup>*Ibid.*, 1:279.

<sup>3</sup>E.G.: *Ibid.*, 1:594n; 1:703n; and 1:660.

<sup>4</sup>*Ibid.*, 1:594n.

<sup>5</sup>Lujo Bretano, Hours and Wages in Relation to Production, trans. Mrs. William Arnold (London: Swan Sonnenschein & Co., 1894), p. 77.

<sup>6</sup>*Ibid.*, p. 3.

<sup>7</sup>*Ibid.*, p. 3n.

<sup>8</sup>*Ibid.*, p. 39.

<sup>9</sup>*Ibid.*, p. 45.

<sup>10</sup>*Ibid.*, p. 46.

<sup>11</sup>Edgar Stevenson Furniss, "Labor Theories of the English Mercantilist: 1660-1775" (Ph.D. dissertation, Yale University, 1918).

<sup>12</sup>Edgar Stevenson Furniss, The Position of the Laborer in a System of Nationalism (New York, 1920; reprint ed., New York: Augustus M. Kelley, 1965).

<sup>13</sup>*Ibid.*, p. 1.

<sup>14</sup>*Ibid.*, pp. 103, 115, 124, 136-37, 144. The books written by Taxes have been attributed to two authors. Furniss followed the attribution to William Temple of Trowbridge made by William Cunningham in The Growth of English Industry and Commerce in Modern Times (Cambridge, Eng.: The University Press, 1892), p. 560. Henry Higgs attributed the books to J. Cunningham in Bibliography of Economics 1751-1775 (New York: Macmillan Co., and Cambridge: University Press, 1935), pp. 348, 481. The printed card catalogue of the British Museum Library followed Higgs' attribution and the present author wrote to the library to inquire why Higgs' attribution was chosen. The reply stated that a manuscript note had been added to

the original title card by the late Lawrence William Hanson, formerly on the staff of the British Museum and author of Contemporary Printed Sources for British and Irish Economic History 1701-1750 (Cambridge: University Press, 1963). According to this note, there were no grounds for either attribution. In deference to this confusion, the author will be called Taxes.

<sup>15</sup>For example, see Eli F. Heckscher, Mercantilism, rev. ed. (New York: Macmillan Co., 1955), 2:152; Sidney Pollard, The Genesis of Modern Management (Cambridge, Mass.: Harvard University Press, 1965), p. 90; D. C. Coleman, "Labour in the English Economy of the Seventeenth Century," Economic History Review 1956: 291; Mark Blaug, Economic Theory in Retrospect, rev. ed. (Homewood, Ill.: Richard D. Irwin, 1968), p. 16; E. A. J. Johnson, "Unemployment and Consumption: The Mercantilist View," QJE 1932: 706; Max Beer, Early British Economics (London: George Allen & Unwin, 1938), p. 179; Dorothy Marshall, The English Poor in the Eighteenth Century (London: George Routledge & Sons, 1926), p. 30.

<sup>16</sup>A. W. Coats, "Changing Attitudes to Labour in the Mid Eighteenth Century," Economic History Review 1958: 47-48.

<sup>17</sup>Richard C. Wiles, "The Theory of Wages in Later English Mercantilism," Economics History Review 1968: passim.

<sup>18</sup>Coats, "Changing Attitudes to Labour," p. 35.

<sup>19</sup>Donald A. Walker, "Marshall on the Short Run Supply of Labor," Southern Economic Journal (January 1975): 429.

<sup>20</sup>Thomas Sowell, Classical Economics Reconsidered (Princeton, N.J.: Princeton University Press, 1974), p. 34; Robert V. Eagly, The Structure of Classical Economic Theory (New York: Oxford University Press, 1974), pp. 43, 68.

<sup>21</sup>For a description of Mun and Misseldon on the balance of trade, see Henry W. Spiegel, The Growth of Economic Thought (Englewood Cliffs, N.J.: Prentice-Hall, 1971), pp. 104-18.

<sup>22</sup>Charles Wilson, England's Apprenticeship 1603-1763 (New York: St. Martins Press, 1965), p. 236.

<sup>23</sup>Ibid., p. 41.

<sup>24</sup>Sir William Temple, Observations Upon the United Provinces of the Netherlands (Cambridge: Cambridge University Press, 1932). The first edition was published in 1673. Roger Coke, Reasons of the Increase of the Dutch Trade Wherein is Demonstrated from What Causes the Dutch Govern and Manage Trade Better Than the English; Whereby They Have so far Improved Their Trade Above the English (London, 1671).



<sup>25</sup>Carew Reynel, The True English Interest (London, 1674), p. 59.

<sup>26</sup>J. F. D. Shrewsbury, A History of the Bubonic Plague in the British Isles (Cambridge: Cambridge University Press, 1970), pp. 445, 488.

<sup>27</sup>John Smith, Chronicum-Rusticum Commerciale; or Memoirs of Wool (New York: Augustus M. Kelley, rep. 1969), p. 26; Leslie A. Clarkson, The Pre-Industrial Economy of England: 1500-1750 (London: B. T. Batsford, 1971), p. 213. Chronicum was first published in 1747.

<sup>28</sup>James Edwin Thorold Rogers, Six Centuries of Work and Wages (New York: G. P. Putnam's Sons, 1884), p. 427; E. H. Phelps Brown and Sheila V. Hopkins, "Wage-Rates and Price: Evidence for Population Pressure in the Sixteenth Century," Economica 1957: 289.

<sup>29</sup>Thomas Fiddian Reddway, The Rebuilding of London After the Great Fire (London: Jonathan Cape, 1940), p. 115.

<sup>30</sup>For an earlier example of this complaint, written in 1631, see, State Papers Domestic, in Ephraim Lipson, The Economic History of England (London: A&C Black, 1931), 3:259.

<sup>31</sup>J. L. and Barbara Hammond, The Village Labourer (London: Longman's, Green & Co., 1911); J. L. and Barbara Hammond, The Town Labourer 1760-1832 (London: Longman's, Green & Co., 1917); J. L. and Barbara Hammond, The Skilled Labourer 1760-1832 (London: Longman's, Green & Co., 1919).

<sup>32</sup>G. E. Mingay, "The Transformation of Agriculture," in The Long Debate on Poverty (London: Institute of Economic Affairs, 1972), p. 26; see also, E. L. Jones, Agriculture and the Industrial Revolution (New York: John Wiley & Sons, 1974), pp. 211-12.

<sup>33</sup>Mingay, "The Transformation . . .," pp. 32, 36, 37; Malcolm Thomis, The Town Labourer and the Industrial Revolution (London: B. T. Batsford, 1974), pp. 107-108; J. D. Chambers, "Enclosure and Labour Supply in the Industrial Revolution," in Agriculture and Economic Growth in England 1650-1815, ed. E. L. Jones (London: Methuen & Co., 1967), pp. 94-127.

<sup>34</sup>Jones, ed., Agriculture . . ., pp. 211-12.

<sup>35</sup>Arthur Redford, Labour Migration in England 1800-1850, 2nd ed. and rev. W. H. Chaloner (Manchester, England: University of Manchester Press, 1964), pp. 67-70.

<sup>36</sup>The Long Debate and Poverty and the citation by Thomis review this controversy; see also, Arthur J. Taylor, ed., The Standard of Living in the Industrial Revolution (London: Methuen & Co., 1975).

<sup>37</sup>M. W. Flinn, "Trends in Real Wages, 1750-1850," Economic History Review, 2nd series, 27 (August 1974): 395-413.

<sup>38</sup>Phyllis Deane, The First Industrial Revolution (Cambridge: Cambridge University Press, 1967), p. 138.

<sup>39</sup>Sidney Pollard, "Factory Discipline in the Industrial Revolution," Economic History Review, 2nd series, 16 (December 1963): 256. [Thomas Wright], The Great Unwashed, by a Journeyman Engineer (New York: Augustus M. Kelley, rep. 1970), p. 191; Herman Freudenberger and Gaylord Cummins, "Health, Work and Leisure before the Industrial Revolution," Economic History Review 13 (January 1976): 5-6.

<sup>40</sup>Freudenberger and Cummins, "Health . . .," p. 1.

<sup>41</sup>Ibid., pp. 1-9.

<sup>42</sup>Deane, pp. 20-35.

## II. AN ESSAY ON SHORT RUN LABOR SUPPLY IN PRE-CLASSICAL ECONOMICS

This essay will show how the best minds in English economics struggled with the problem of the means for motivating the labor force. The method will be an author-by-author review, and, in order to keep the progress of the debate on labor supply clear, three summaries will review the discussions in the periods of 1665-1700, 1701-1750 and 1751-1776. The essay will end with conclusions about the entire pre-classical period.

### William Petty

William Petty was one of those authors who shared the conviction that England should become a great commercial power, and this goal was the theme of his Political Arithmetick, a work in which he argued that, if the correct policies were followed, England could "drive the trade of the whole commercial world."<sup>1</sup>

Petty used Holland as a model of correct policy because in one century the Dutch had changed Holland from a poor country to the greatest commercial power in Europe.<sup>2</sup> An equivalent ambition for England required greater effort from the labor force and Petty had several suggestions, the most fantastic of which was to move one million Irish and New England colonists to England.<sup>3</sup> Another of his ideas to increase labor effort was that of creating a universal

poll tax which would both force laborers to work longer and encourage parents to put their children to work "upon their very first capacity" in order to help pay for the tax on them.<sup>4</sup> Petty thought that the prevailing criminal punishments such as death, disfigurement, or incarceration wasted some of the available manpower, and he suggested that the penalty for petty offenses should, rather, be fines because the fines would force the offenders to work harder. A corollary notion, designed also to utilize criminal labor, was to punish felons with slavery rather than with death.<sup>5</sup>

Petty's suggestions to increase the effort of laborers involved the regulation of nominal wages and the maintenance of high food prices.<sup>6</sup> Having assumed that the quantity of material goods desired by laborers was fixed, he thought that if real wages increased laborers would work less and if real wages decreased laborers would work more.<sup>7</sup> Petty's typically harsh tone towards the poor was shared by many later authors:<sup>8</sup>

It is observed by clothiers, and others who employ great numbers of poor people, that when corn is extremely plentiful, that the labour of the poor is proportionably dear: and scarce to be had at all (so licentious are they who labour only to eat or rather to drink). Wherefore, when so many acres sown with corn, as do usually produce a sufficient store for the nation, shall produce perhaps double to what is expected or necessary; it seems not unreasonable that this common blessing of God, should be applied, to the common good of all people, represented by the Sovereign; much rather than the same should be abused, by the vile and brutish part of mankind.<sup>9</sup>

To prevent bountiful harvests from being abused, the farmers, Petty thought, should have their excess produce removed by a tax in kind to be levied on a percentage of their crops. Petty's suggestions

were largely ignored in subsequent discussions, perhaps because his ideas were more arbitrary and unworkable, with their characteristic severity, than the suggestions of later writers.

An immediate contrast appears between Petty's suggestions to encourage the English labor force and what he recommended to encourage the Irish. When Petty discussed English laborers he usually referred to artisans, manufacturers, and farm laborers who work for wages. When he talked about the Irish, however, he usually referred to small tenant farmers whose lives Petty considered extremely rude: they wore simple clothing that they made for themselves; their diet consisted mainly of potatoes and milk; and their homes were foul, smoke-filled hovels made of mud. These farmers required almost nothing, except tobacco, which they could not produce for themselves, and Petty even accused them of nursing the tobacco by walking around all day with unlit pipes. Petty thought that this rude life caused laziness:

Their lazing seems to me to proceed rather from want of imployment and encouragement to work, than from the natural abundance of flegm in their bowels and blood; for what need they work, who can content themselves with potatoes, whereof the labor of one man can feed forty . . . and why should they desire to fare better, tho with more labour, when they are taught, that this way of living is more like the patriarchs of old, and saints of later times.<sup>10</sup>

Aside from the suggestion to move three-quarters of those Irish farmers to England, Petty argued that the state ought "to beget a luxury in the . . . [Irish poor], so as to make them spend, and consequently earn double to what they at present do," because this taste for luxury goods "shall increase the splendour, art, and

industry of the . . . [poor] to the great enrichment of the common-wealth."<sup>11</sup> Thus, he thought that the different circumstances of the English and Irish laborers required the use of different remedies, for regulating wages and maintaining high food prices would not touch the Irish tenants and they could not pay a poll tax. However, Petty did not describe his idea about using luxury goods thoroughly enough to make clear what he intended on this score.

In these ways, then, Petty serves as an example of an author who simultaneously possessed the concern for mobilizing the labor force, the desire to make England a great commercial power, and the envy of the Dutch success.

#### Thomas Manley

In 1669 several writers argued that lowering the maximum legal interest rate from six percent to four percent would function as an economic panacea which would promote growth, employment, and a favorable balance of trade and population. Thomas Manley, however, wrote a tract in which he argued that low interest rates were an effect of prosperity and not a cause of it. The prosperity of Holland and the comparative poverty of England, he thought, could be assigned to other causes,<sup>12</sup> the chief of which was the discrepancy between the industry of Dutch laborers and the comparative laziness of the English. Two proponents of the measure to lower interest rates, Thomas Culpeper, Jr., and Josiah Child, attempted point-by-point refutations of Manley's tract with the purpose of proving that the laziness of English laborers was not the cause of England's

economic problems or that, if laziness was the cause, that lower interest rates would be a cure. This issue was discussed again in a hearing in the House of Lords during which Child and Culpeper, because they were members of the Board of Trade, were asked to testify.<sup>13</sup> The views of Manley, Culpeper, Child and what finally transpired at the hearing will be described in turn.

For Manley, low interest rates had nothing to do with becoming a great commercial power. He asked:

Does Italy or Holland owe their trade and riches to the smallness of usury, or to their innate frugality, wonderful industry, many admirable arts and policies, which we want, formented by the fortunateness of their scituations?<sup>14</sup>

The most important factors in Holland's success were the industry, frugality, and ingenuity which desirable characteristics of the Dutch labor force, Manley felt, were inherited traits. He pointed out that the Dutch and Walloon settlers in England had also maintained their superior habits of frugality and industry for more than four generations.<sup>15</sup> The English laborer, on the other hand, was congenitally inferior and, with him, there was no hope for England ever to become the greatest commercial power. Compounding this inherent laziness of the worker, Manley pointed out, was the fact that the current high wages allowed laborers to work less than a full week: "Half our poor . . ., to the infinite discouragement of industry, decline working above 3 or 4 days in the week, when provisions are cheap . . . ."<sup>16</sup> As far as Manley was concerned, laziness and high wages were the causes of the current depression:

1



What is the reason for the general complaint of dead-  
ness and decay of trade, running into debt of most, and  
poverty of all sorts and degrees of men, prodigious  
increase of our parish poor, and failings of our native  
manufactures . . . .<sup>17</sup>

'tis dear wages, and not usury nor want of ingenuity,  
that makes projects and improvements so unsuccessful amongst  
us . . . . we must have more efficacious laws to retrench  
wages, or else all industry must suddenly cease.<sup>18</sup>

Manley's solution to the trade depression was the use of regulation  
to lower wage rates, a regulation necessary because there was a  
general conspiracy among laborers and artificers and because they  
had "an exacting humour and [an] evil disposition."<sup>19</sup> As evidence  
for this conspiracy, Manley stated that several master shoe makers,  
to whom he had spoken, had assured him that as "their men have but  
just so much more to spend in tipples, [they] remain poorer now than  
when their wage was less."<sup>20</sup>

Giving up the prospect that England would become the greatest  
commercial power, Manley suggested that some modicum of prosperity  
could be achieved if English wage rates were pushed down to the level  
of those of the Dutch and the French. Aware that this prosperity  
would come at some expense to the labor force, Manley was obliged to  
"confess indeed it were happy (as some alledge) that wages were  
dearer amongst us, and dyet too; provided always the same proceeded  
from quickness of trade, that our whole stock of people might be duly  
employed and that the rates of our manufactures would bear in foreign  
markets."<sup>21</sup> This happy situation was impossible, however, because  
the backward-sloping labor supply function would cause lower output  
and higher costs as wage rates increased.

Manley's views were unique in two regards: no one else thought that national industry was a matter of heredity and no one else thought that England should be resigned to accept an inferior place in the commercial world.

Thomas Culpeper, Jr.

Thomas Culpeper, Jr. called the idea that English laborers were born with less ingenuity and industry than the Dutch a "vulgar prejudice."<sup>22</sup> The differences in industry, Culpeper argued, were due to laws, education, and customs and, with improved circumstances, the working habits of the English laborers would be amended. At present, however, Culpeper admitted that English laborers lived "from hand to mouth" and that the current low food prices allowed them to dismiss themselves from work a few days of each week.<sup>23</sup> Having nothing with which to refute Manley's argument about labor supply, Culpeper came to this point in Manley's book as best he could by avowing that a lower maximum legal interest rate would solve every problem.<sup>24</sup>

Josiah Child

In 1665, immediately after the plague, but prior to the interest rate controversy, Josiah Child concurred with the notion that low food prices caused the poor to work less:

And for our own poor in England, it is observed, that they live better in the dearest counties than in a cheap (especially in relation to the public good) for that in a cheap year they will not work above two days in a week; their humour being such, that they will not provide for a hard time; but just work for so much and no more, as may maintain them in that mean condition to which they have been accustomed.<sup>25</sup>

When Child wrote a refutation of Manley's tract, the "public good" no longer required low wages:

The next thing I observe new in his [Manley's] treatise, is [on] page 9. It is, saith he, dearness of wages that spoils the English . . . not usury; and therefore he propounds the making of a law to retrench the hire of poor men's labour, (an honest charitable project, and well becoming a Usurer). The answer to this is easie . . . . Where-ever wages are high, universally throughout the whole world, it is an infallible evidence of the riches of that country; and where-ever wages for labour runs low, it is proof of the poverty of that place . . . . if we retrench by law the labour [wage rates] of our people, we drive them from us to other countries that give better rates, and so have the Dutch drained us of our seamen and woollen manufacturers.<sup>26</sup>

Such emigration for reasons of wages is a type of short run labor supply response, and Child argued that a result of this emigration as wages were lowered would be a decrease in the quantity of work done in England. To a detached observer, however, it seems inconsistent that so many English laborers would be willing to run to Holland for higher wages while at the same time, according to the consensus, they "just work for so much and no more."

Culpeper and Child had the occasion to defend their positions before the Lord's Committee on the Decay of Rents and Trade (1669). There, they tried to explain why there was a recession and what could be done to revive the economy. Child argued that the recession was due in part to the shortage of laborers caused by the recent plague, by the London fire, and, further, by the succession of five good harvests which had caused a surplus of grain.<sup>27</sup> Culpeper defended the position that lowering the maximum legal interest rate would provide two benefits: first, that at lower interest rates people would save more, and, second, that at lower interest rates

investments would increase. With this, the economy would revive sufficiently to attract foreign immigrants who would relieve the labor shortage.<sup>28</sup> Together, Child and Culpeper seemed to have been more concerned with finding reasons to lower the maximum legal interest rate than interested in presenting plausible and consistent arguments.

Moreover, like Petty, Child wanted to get more work from children and people on welfare:

The children of our poor [are] bred up in beggary and laziness, do by that means become not only of unhealthy bodies . . . they are, by their idle habits contracted in their youth, rendered forever after indisposed to labour, and serve only to stock the kingdom with thieves and beggars.<sup>29</sup>

To remedy this lack of training, Child recommended an extensive scheme of workhouses funded by large amalgamations of parishes and overseen by a powerful new officer called "the Father of the Poor" who could force the poor to work. Child compared these new officers to those of the Spanish Inquisition, in that they would be found everywhere and would command instant authority. Whether the workhouse ran at a profit or not was immaterial because, he argued, "the great business of the nation . . . [was] first but to keep the poor from begging and starving, and enuring such as are able to labour and discipline, that they may be hereafter useful members to the kingdom."<sup>30</sup> Child's poor relief plan did not rely entirely on authority and force, however, because he suggested also that the poor could become more frugal if petty banks were set up so that they could find it easier to save. Further, he suggested the

creation of a new small coin so that the poor could save in the smaller increments which would then be available.

Overall, it is difficult to assess what Child thought about the supply of labor. The scheme for poor relief contains a great deal of coercive power, and the need for such powers suggests Child did not think that high wages would be an adequate guarantee of high effort.

#### Roger Coke

For Roger Coke, the key to national wealth was a large and hard-working labor force, and, thus, he rejected Manley's notion that the "scituation" (for example, the location, harbors, or resources) was important. More laborers would enrich a state and "from hence it is, that the Province of Holland . . . which has scarce anything conducing to the benefit of trade, yet abounding with industrious men, doth above all places in the world, grow rich and most powerful by trade."<sup>31</sup> Coke estimated that Amsterdam had ten times the trade of London<sup>32</sup> and thought that the recent disasters had depopulated England to the extent that it "hath not only rendered the coast desolate . . . but the country too becomes thin and uninhabited."<sup>33</sup>

In Coke's mind, the image of England was as a beleaguered fortress in which every possible effort to throw more laborers to the ramparts was required for survival. He proposed, among other things, (1) to stop executions and to use felons for forced labor, (2) to stop imprisonment for debts and to use forced labor in its place,

(3) to chase squatters out of waste lands, (4) to round up vagabonds for forced labor, (5) to stop all emigration, and (6) to lower the wage rate in order to increase the supply of labor. On this last matter, he thought that the best method to lower wages was to eliminate the poor laws:

[The poor law] encourages willful and evil disposed persons to impose what wages they please upon their labours; and herein they are so refractory to reason and the benefit of the nation, that when corn and provisions are cheap, they will not work for less wages than when they were dearer, so as it often happens that one days indifferent labour shall maintain these persons three or four days after in idleness; which if this law had not been, [their earnings] might have been for a reserve to support themselves and families in adversity and sickness . . . . This law is the principal, if not the only reason of the excessive wages of servants as well as labourers . . . .<sup>34</sup>

Another policy to force more work was free immigration. Answering the argument that free immigration would take jobs away from English workers, Coke, in a reproaching tone, accused recalcitrant laborers of ruining England and reasoned:

. . . if the natives would have been as industrious . . . as the foreiners, they needed not have feared it; whereas by denying foreiners [freedom to immigrate], the natives of England have eat the bread out of the mouths of all those who imploy them in trade, and thereby starved the nation . . . and given the Dutch an opportunity of driving all forein trade of the world.<sup>35</sup>

The competition from new immigrants, Coke argued, would lower English wage rates and force greater effort.

In summary, Coke looked at every possible measure that would increase labor supply. Among these measures was removing the crutch of poor relief. However, in spite of his accusations that the natives took bread out of the mouths of their employers and were

recalcitrant to reason, one of Coke's goals was to raise the incomes of the laborers to the extent that "they may be enabled better to maintain themselves and families with all sorts of conveniences."<sup>36</sup> Since this goal would be impossible if laborers had relatively fixed desires for their incomes, perhaps when Coke referred to "evil disposed persons" who refused to work a full week at high wages he was only referring to a portion of the labor force. On the other hand, he might simply have been unaware of any difficulty.

When Coke, Culpeper, Child, and Manley discussed England's economic problems and the superiority of Holland, they seldom distinguished between what are two discrete questions. One question was centered on the issue of why some countries could sustain a high rate of economic growth over a long period while other countries were mired in poverty and rudeness. This question was sometimes referred to as the question of the origin of trade, and the contrast between the situations of Holland and Ireland ultimately forced English economists to be attentive to it. The second question consisted in the immediate causes of and remedies for England's trade recession. An example of the failure to distinguish between these two specific matters can be seen in the development of the idea of using excise taxes on necessities in order to enforce labor as the idea can be traced successively through the writings of Sir William Temple, Thomas Sheridan, and John Houghton.

Sir William Temple was the English ambassador to Holland, and after he finished his residence there he went to Ireland. In

1673, he wrote about two books--one to describe Holland's prosperity and the other to suggest methods to relieve Ireland's poverty.<sup>37</sup> In the book about Holland, which was very popular and widely quoted,<sup>38</sup> Temple tried to answer the question, "what was the origin of trade?" His answer involved the thesis that, in some circumstances, the pressure of high food prices would transform the habits of laborers in a society to render them permanently more industrious:

Since the ground of trade cannot be deduced from havens, or native commodities, (as may well be concluded from the survey of Holland which has the least and worst; and of Ireland, which has the most and the best of both); it were not amiss to consider, from what other source it may be more naturally and certainly derived: For if we talk of industry, we are still much to seek, what it is that makes people industrious in one country, and idle in another. I conceive the true original and ground of trade, to be great multitudes of people crowded into a small compass of land, whereby all things necessary to life become dear, and all men, who have possessions are induced to parsimony; but those who have none, are forced to industry and labour.. . . These customs arise first from necessity, but encrease by imitation, and grow in time to be habitual in a country . . . .

This cannot be better illustrated than by its contrary, which appears no where more than in Ireland; where, by the largeness and plenty of the soil, and scarcity of the people, all things necessary to life are so cheap, that an industrious man, by two days labour, may gain enough to feed him the rest of the week; Which I take to be a very plain ground of the laziness attributed to the people: for men naturally prefer ease before labour, and will not take pains, if they can live idle, though, when, by necessity, they have been inured to it, they cannot leave it, [hard work] being grown a custom necessary to their health, and to their very entertainment: Nor perhaps is the change harder, from constant ease to labour, than from constant labour to ease.<sup>39</sup>

According to this thesis, high food prices were needed only as an initial impetus to change the habits of the labor force, and, thereafter, hard work would be characteristic. Temple's thesis about



the origin of trade was subsequently applied by Sheridan and Houghton to the current situation in England.

[Thomas Sheridan], A Discourse of the Rise  
and Power of Parliaments . . . 1677

After four years, Sheridan picked up Temple's argument that "where many are coop'd into a narrow spot of ground, they are under a necessity of laboring; because in such circumstances they cannot live upon the products of nature, and having so many eyes upon them they are not suffered to steal . . . ."40 He then proceeded to think of every possible measure to "coop up" more people in England, and these included (1) foundling hospitals, (2) freedom of immigration, (3) a tax on bachelors, and (4) criminal sanctions on extra-marital intercourse (based on the supposition that such intercourse reduced fertility). Sheridan also realized that high prices on necessities, the instrument of forcing industry in a crowded country, could be achieved without having to wait through the tedious period required to fill England with people.

I am convinced, that the great taxes in the United Netherlands have bin the chieftest cause of their great wealth; and that this be no small paradox, and perhaps a new one, I am fully perswaded it contains a great truth; for their great taxes necessitated great industry and frugality, and these becoming habitual, could not but produce wealth . . . .41

Thus, while Temple attributed the high food prices in Holland to natural causes, Sheridan credited them to the Dutch excise taxes. However, Sheridan was reluctant to use such excise taxes of the type in Holland he commended in order to force the labor of the English poor. Instead, he wanted excise taxes to be imposed proportionately

and complained that "the present excise is grievous, because [it] lays heavier on the poor laborers and meaner sort of people than on the rich and great."<sup>42</sup> In this respect at least, Sheridan represents an intermediate step between Temple and Houghton.

#### John Houghton

John Houghton wrote a weekly newsletter on agricultural topics which he occasionally used to comment on general commercial matters. Houghton complained about the backward-sloping labor supply function--that is, that hours are a decreasing function of wages: "When the framework knitters or makers of silk stocking have a great price for their work, they have been observed seldom to work on Mondays and Tuesdays, but to spend most of their time at the ale-house or nine pins . . . and it commonly holds as long as they have a penny of money or a penny of credit."<sup>43</sup> Proposing that excise taxes be used to raise the prices of all of the necessities of the poor, Houghton reasoned that the extra hours of work done by the poor in years of scarcity would become the norm for them as they met high prices for their necessities. As high a tax burden as possible placed on the necessities of the poor would, thus, "oblige them to more industry, whereby they will procure more manufacture to sell cheaper."<sup>44</sup>

#### Richard Dunning

To this point, two of the three policies favored by low wage advocates have been described: one was excise taxes introduced by Houghton and the other was freedom of immigration introduced by

Coke. Richard Dunning was one of the authors who advocated the third policy, that of physical coercion. Dunning thought that the laziness of the poor caused them to feign either disability or an inability to find employment in order that they might receive welfare payments from the parish. Dunning hoped to eliminate such malingering and to eliminate the holidays taken by laborers who did not apply for parish relief, because, he felt, "now, if ever, it is time to restrain the increase of the poor [on welfare], by restraining the idleness and insolence of the meaner sort."<sup>45</sup> Dunning's plan was to offer a reward to anyone who reported a laborer idle on any day except Sunday. Next, the parish overseer would determine if the accused was able to work, and, if so, the able-bodied would be forced to work for the parish. For Dunning, the charm of this plan was that, if the parish jobs were made odious enough, the "insolent" laborers would be more willing to work for private employers. Rather than thinking in terms of a labor supply response to changing wage rates, then, Dunning felt that compulsion was necessary to enforce industry.

Most of the authors discussed to this point have condemned the laziness of the English poor and have believed that labor supply function was backward-sloping. Until the 1690's, no one expressed the idea that the quantity of labor might be an increasing function of wages. Despite agreements on these matters, however, the condemnation and blame placed on laborers was not universal, for the anonymous author of The Use and Abuse of Money thought that most of the idle laborers were anxious to work but simply could not find

constant employment. This lack of job opportunities stemmed from a shortage of money which the author proposed to remedy by debasing the coinage. More money, he thought, would eliminate idleness:

Where money is plenty, workmen will be more plenty, and everyone more industrious in applying himself to work . . . I am of the opinion, there are none so idle now, but that if there were plenty of money, so that they might get a groat [four pence] a day, they would sooner do that than be content with two pence a day at the charge of the parish.<sup>46</sup>

The anonymous author of The Grand Concern of England Explained agreed that the idleness of the poor was involuntary, but he blamed the lack of job opportunities on the fashion for foreign manufactures. This author had a completely different explanation of why high wages were associated with a short work week: ". . . whereas they had six days work formerly [per week], they now have not above three now, and having the same families, must . . . have double wages . . . or . . . want bread three days a week."<sup>47</sup> Although these two authors expressed some sympathy towards the poor, there were no high wage advocates (authors who believed that the supply of labor was forward sloping) until 1690. After 1690, Sir Dudley North, Roger North, Walter Harris, Charles Davenant, and John Cary all approached the position either that the labor supply function was forward-sloping or that the habits of laborers could so be transformed as to make the labor supply function forward-sloping.

#### Sir Dudley North and Roger North

Sir Dudley North wrote Discourses Upon Trade, and the book written by his brother, Roger North, was based "largely on Sir

Dudley's ideas, set forth in a manuscript to have been published as a sequel to the Discourses."<sup>48</sup> Because Sir Dudley seems to have influenced Roger, the two will be described in the same section.

The Discourses Upon Trade . . . was written to oppose the debasing of the kingdom's coins because Sir Dudley thought that this measure would have no effect in increasing the wealth of the nation. Offering some alternative policies, he argued that peace and freedom of action would assure prosperity and, in particular, that any regulation to promote a particular trade by bounties or tariffs or monopolies would only destroy public prosperity to the advantage of a select few. Finally, he held the position that gold and silver were commodities like all others and, with regard to the prosperity of the country, that the quantity of these metals was immaterial. All of this represents an astonishing contrast with the views of Sir Dudley's contemporaries.

Any discussion of how to increase national wealth had to attend to the question (as put by Sir William Temple) of "what . . . makes people industrious in one country . . . and idle in another?" Sir Dudley's answer was consistent with his philosophy that keeping government regulations to a minimum would promote economic growth because, for him, it was the opportunity to buy luxury goods which would encourage laborers to greater effort:

The main spur to trade, or rather to industry and ingenuity is the exorbitant appetites of men, which they will take pains to gratify, and so be disposed to work, when nothing else will incline them to it; for did men content themselves with bare necessities, we should have a poor world.

The glutton works hard to purchase delicacies, wherewith to gorge himself; the gamester, for money to venture at play; the miser to hoard; and so others . . . .

Communities which have sumptuary laws are generally poor; for when men by those laws are confin'd to narrower expense than otherwise they would be, they are at the same time discouraged from the industry and ingenuity which they would have employed in obtaining the wherewithal to [enjoy] them, in the full latitude of expence they desire . . . .

The meaner sort seeing their fellows become rich and great are spurred to imitate their industry. A tradesman sees his neighbor keep a coach, presently all his endeavors is at work, to do the like.<sup>49</sup>

Sir Dudley North mentioned gluttony and gambling because these activities were limited by some sumptuary laws.<sup>50</sup> At various times in the Seventeenth Century, laws were in force that regulated the quality of food and the number of courses allowed at each meal, and other laws limited, for instance, the amounts and subjects of betting or the quality of materials and types of decoration on apparel.<sup>51</sup> These sumptuary laws generally made minute distinctions about allotments to common laborers, craftsmen, petty merchants, merchants, gentlemen, esquires, knights and lords.<sup>52</sup> Although these laws were rarely enforced, the social conventions which these laws reflected probably had some effect of limiting the personal spending of the laborer.

Whereas Petty had recommended the lure of luxury goods to stimulate Irish laborers to greater effort, he thought that the extreme simplicity of the Irish laborers precluded any other measure and that, for English laborers, the pressure of necessity was the best policy. Sir Dudley North, by contrast, universally recommended luxury goods as the best policy to stimulate effort, and, implicit in this recommendation, are the assumptions that the quantity and quality

of material goods desired by laborers was not fixed and that, if offered higher wages, laborers would work longer to increase the quantity and quality of goods they consumed. This implicit connection between luxury goods and a forward-sloping labor supply function will reappear in the works of later writers, among whom are, most prominently, Bernard Mandeville, George Berkeley, Taxes, and Adam Smith.

Like Roger Coke, Roger North, the brother who promulgated Sir Dudley's ideas, felt that the poor laws had a corrosive influence on the industry of the poor. Because laborers were assured of a maintenance when ill or unemployed, even those laborers with the highest wages had no incentive to save.<sup>53</sup> Roger North argued that if the poor laws were removed the poor would begin to save and that, once they had acquired this habit, they would aspire to better their condition. Roger North was sympathetic towards the poor and, convinced that they were often mistreated by parish officers,<sup>54</sup> he also opposed the settlement provisions of the poor laws. Under these settlement provisions, if a laborer moved to a new parish and his assets and wages were below a certain cut-off point, the officers in the new parish could refuse the laborer the right to settle and send him back to his home parish and could do so merely on the suspicion that in the future the laborer might become destitute and be entitled to public relief in the new parish. Roger North's reasons for opposing the settlement laws were unusual for the time in which he wrote: first, because these laws abridged the personal freedom of laborers,<sup>55</sup> and, second, because they prevented laborers from

moving to areas that offered higher wages or more job opportunities. He could see that with these laws laborers were further prevented from aspiring to improve their condition. Attempting to raise the incomes of the poor only to find that the poor laws themselves prevented many of them from trying to do better, Roger North was convinced that only when the "laws are so ordered that men shall strive against poverty, they will generally grow industrious and rich."<sup>56</sup>

#### Walter Harris

Walter Harris' book is a discussion of the commercial relations between England and Ireland and of the policies that would increase the wealth of both. Harris' views contrasted sharply with those of the authors who wrote shortly after the plague because he felt that, in England, "we want not hands, nor stock in trade, but trade to apply them to with any moderate advantage."<sup>57</sup> Ireland offered a haven for the unemployed English laborers, he suggested, because "England breeds more mechanicks than it can maintain. The surcharge of these, that by their stay would impoverish the rest, find work and livelihood in Ireland."<sup>58</sup> Harris also wanted the labor of new immigrants to England to be applied only to new manufactures, thus sparing English laborers from more competition.<sup>59</sup> Such solicitude over the incomes of the poor would have astonished most of the preceding authors.

Another of Harris' proposals was to allow the Irish to export agricultural products to England--a step which would give the Irish something to do with heretofore idle resources and which would



gain for the English lower food prices. Of course, anyone who advocated lower food prices would have to answer the low wage advocates' argument, and Harris anticipated the objection:

If against what hath been said, it be objected, that experience tells us, that our manufactures are raised cheapest in years of dearth and scarcity; I answer that extraordinary accidents do not constitute a standing rule: that 'tis true in such years, the poor are constrained to work harder and cheaper than at other times: yet in those years they are constrained to run in debt and often sell the very cloths which they earned in times of plenty etc., and did provisions advance for a continuance, labour must do so too, or many of the poor would perish, and the rest be reduced to live on herbs, wear wooden clogs . . . and like the peasants of France, look like walking ghosts, which I hope will never happen in England.<sup>60</sup>

The greater effort observed in years of high food prices was, for Harris, a transitory phenomenon, and the use of excise taxes could not extent this effort to other seasons. He was certain that, except for this impermanent effect, the supply of labor was an increasing function of wages.

#### Charles Davenant

Charles Davenant wrote four economic tracts,<sup>61</sup> in which the subject of the supply of labor appeared in discussions of the excise taxes, immigration, the relief of poverty, and the role of luxury goods in promoting growth. The first book, An Essay Upon the Ways and Means of Supplying the War, is chiefly concerned with identifying new sources of taxation which would immediately aid the exchequer, but also as an element in the essay Davenant discussed what policies would aid long-term growth. Although the new tax Davenant recommended would put an excise on all consumer goods, he did not want the

main burden of this taxation to fall on the necessities of laborers. He suggested instead that the poor had to be protected and that a graduated excise tax should place high rates on luxury goods and low rates on necessities.<sup>62</sup>

In his discussion of policies which would promote long-term growth, Davenant favored a workhouse scheme. In other proposals of the sort, the "nature" of the workhouse varied from author to author on the basis of whether an author thought the poor were basically lazy and needed the correction of stern discipline (for example, Richard Dunning) or whether he thought the poor were willing to work and the workhouse provided them with an opportunity to do so. Davenant's proposal fell into the second category because he believed that, "if the poor were always certain of work, and pay for it, they would be glad to quit that nastiness which attends a begging and a lazy life."<sup>63</sup> A second proposal to promote long-term growth was to promote immigration by allowing religious freedom. Davenant repeated Temple's view that crowding could transform the habits of laborers:

Where there are but few inhabitants, and a large territory, there is nothing but sloth and poverty; but when great numbers are confined to a narrow compass of ground, necessity puts them upon invention, frugality and industry; which, in a nation are always recompensed with power and riches.<sup>64</sup>

In answering the objection that the new immigrants would take bread from the mouths of English laborers, Davenant was uncharacteristically harsh with his comment that "the industrious frugality of foreign handy-craftsmen, will be a good correction to the sloth and luxury of our own common people."<sup>65</sup> The real importance of this

statement, however, is in its suggestion that the increased competition caused by the new immigrants would lower the wage rate, thus forcing more industry from English laborers.

By the time of his Discourses on the Public Revenues and on the Trade of England . . ., Davenant had lost some of his enthusiasm for excise taxes, for he felt that "many branches of our home consumption are sufficiently loaded with duties."<sup>66</sup> Again, however, Davenant advocated that the burden of taxation which did exist should be supported equally by the various classes and that taxation should reach every economic group.<sup>67</sup> On the relationship between the supply of labor and excise taxes, Davenant commented that "Taxes kept within a moderate compass are not prejudicial to the public; and rather enliven industry, and hinder idleness from growing upon the common people. But where of necessity this moderate compass must be exceeded, care should be taken to lay the duties in a way as convenient and easy as possible."<sup>68</sup> Implicit in the above statement is the judgment that, when faced with a small reduction in their customary levels of income, laborers will respond by working longer to maintain that customary income and that a large tax, on the other hand, would cause discouragement and a reduction in effort.

While discussing what policies would promote long-term growth in this discourse, Davenant pointed out that one of the objectives of prosperity was to raise the incomes of laborers or, as he worded it, to put the inferior ranks "at their ease."<sup>69</sup> On the subject of luxury, Davenant welcomed the consumption of luxury goods by the "inferior ranks":

Kingdoms grown rich by traffic, will unavoidably enter into a plentiful way of living; but so long as this is universal, when it is not a splendid beggary . . .; when the inferior rank . . . have their share of plenty as well as the better sort . . . in such a nation, some excess and luxury is rather a sign of great present wealth, than the cause and forerunner of poverty.<sup>70</sup>

This support of luxury spending by the "inferior ranks" was based in part at least on Davenant's belief that the desire for luxury goods increased the supply of labor:

And, perhaps, it is not impossible but that our home industry would be less active, if it were not awakened and incited by some irregular appetites . . . . peradventure, we should not be so striving and inventive, but for our inclination to foreign vanities . . . .<sup>71</sup>

In his last economic tract, An Essay on the Probable Methods of Making a People Gainers in the Balance of Trade, Davenant now urged a reduction in excise taxes because "they light so heavily on the poorer sort, as to occasion insufferable clamours."<sup>72</sup> A continuation of excise taxes at their war-time levels would have two effects in his estimation: the first of which would be to raise the wages of some laborers such as seamen and servants who were already in an advantageous competitive position and the second of which would be to reduce the wages of the less-advantaged laborers, such as cottagers, to the extent that "these miserable wretches must perish with cold and hunger."<sup>73</sup> The first effect was further undesirable because it would limit exports, and the second was undesirable on humanitarian grounds. In this last book, Davenant also offered an extensive plan to reform the poor laws.<sup>74</sup> He distinguished forcefully between two types of idle laborers, "one of which, by reason of slack administration is suffered to remain in sloth; and the other,

through a defect in our constitution, continue in wretched poverty for want of employment, though willing enough to undertake it."<sup>75</sup> Davenant's conception of the relative size of these two groups can be inferred from the fact that he devoted nine pages to finding jobs for the "willing" laborers and a perfunctory sentence to suggesting that the willfully idle should be punished.

In summary, Davenant started out as a guarded proponent of excise taxes--in part because a small excise might "enliven industry"--but he ended by opposing excise taxes on the grounds that they would starve some laborers, would raise nominal wages for others, and would ultimately reduce productive effort. With regard to luxury goods, Davenant thought that giving laborers the opportunity to purchase such goods would increase the supply of labor. On the issue of unemployment, he thought that most unemployed laborers were "willing." Finally, one of his economic goals was to increase the real incomes of laborers. The single statement that the "frugality of foreign handy-craftsmen will be a good correction to the sloth and luxury of our common people" seemed an exception to the predominantly high wage views held by Davenant.

#### John Cary

John Cary was a Bristol merchant, a founder of a workhouse in that city, and the author of three economic tracts which dealt chiefly with the subjects of what regulations might improve the balance of trade and what policies might relieve and employ the poor.<sup>76</sup> Cary's views on the supply of labor appear in his discussion

of poor relief, a subject he approached with a great deal of sympathy for the poor. Opposed to the use of excise taxes on the necessities of laborers because "he that gets his money by the seat of his brows parts not from it without much remorse and discontent,"<sup>77</sup> Cary also thought that high wages would not hurt the balance of trade because, as wages increased, the productivity of English laborers would increase.<sup>78</sup> In An Account of the Proceedings of the Corporation of Bristol, Cary describes an experiment in the workhouse in which the hourly wage rate was increased with a corresponding greater effort on the part of the laborers to produce a higher quality yarn. Cary "then generalizes this experience and maintains that what was proven in Bristol can be applied more widely, and concludes that wages can be raised without danger to the markets of manufactures."<sup>79</sup> Seventeen years later, Cary's confidence in high wages and his distaste for excise taxes were unabated, for then he accused the government of licensing too many alehouses for the sake of the tax revenue on ale and regarded these alehouses as a major cause of idleness.<sup>80</sup> With respect to the management of workhouses for unemployed laborers, he suggested prizes for those laborers whose work showed the highest quality, and he hoped that through these rewards the unemployed would grow to love work.<sup>81</sup>

Cary, Davenant, Harris, and Dudley North, then, represent the beginning of the high wage advocate viewpoint. They concurred with the objective that England should become a great commercial power, and each, in his way, felt that a policy of high wages was

the best method of mobilizing the labor force to attain this objective.

### Henry Pollexfen

To this point in the chapter, one can see that the impetus for the debate on labor supply was the recognition that a greater quantity of labor was required to make England a great commercial power. The idea that encouraging everyone to desire and to work for luxury goods was the best method of stimulating labor, however, ran counter to the social conventions that tied the level of consumption to social rank. The sumptuary laws described above were in part caused by "the desire to preserve class distinctions, that any stranger could tell by merely looking at a man's dress to what rank in society he belonged."<sup>82</sup> These class distinctions would be weakened by individuals who gained the luxuries previously reserved for the next higher class. Henry Pollexfen wanted to preserve class distinctions, and he addressed the issue of labor supply because he thought that the trend toward social climbing and emulation decreased the quantity of labor by creating a shortage of laborers for low status occupations:

It is obvious of late, no imployment offers in Church or State, nor in any gentleman's family, that can be performed without bodily labour, but pretenders to it are numerous though the employment be mean; but for plowing . . . or working on manufacturies . . . or anything that requires bodily labour, servants are difficult to be got . . . .<sup>83</sup>

Pollexfen considered this situation dangerous because he was convinced that society depended on a stable social hierarchy and, if too

many people aspired to be gentlemen, society itself would collapse. Pollexfen feared that "we shall grow top heavy, and be in as much danger of falling, as a tree that hath many branches but little root."<sup>84</sup> With this fear, he drew a grim picture of a great landlord stranded without food or money because his laborers had run off to more genteel employments.<sup>85</sup>

Pollexfen thought that the cause of the shortage of people willing to do "bodily labour" was a lack of proper training by parents and the parish government who had been "very negligent of late years to put [the children of] the poor out to labour, and being bred idly in their youth, [they] cannot afterwards bring themselves, nor be brought to work . . . ."<sup>86</sup> In short, an early and a strict discipline was needed to inure someone to work. Pollexfen identified a second cause for the reluctance towards "bodily labour" which represents a new argument--namely, that charity schools that taught reading and writing and the bible caused the young scholars to despise manual labor and to imagine that they deserved what would now be called a white-collar job:

. . . few that have once learnt to write and read, but either their parents or themselves, are apt to think they are fit for some preferment, and in order to [obtain] it, despise all labouring imployments, and live idle rather than to disparage themselves by work . . . . As communities consist of several degrees, so it is convenient that every degree should be preserved.<sup>87</sup>

Pollexfen also complained that the scarcity of new laborers had raised the wage rate and that, because of the backward-sloping labor supply function, much less work was being done. In this, he seemed to be unaware of any market adjustment that would lower the



excess supply of candidates for white-collar jobs because he simply assumed that the redundant candidates would be paid the customary wages their occupation enjoyed. If the laborers who despised bodily labor hoped to gain a level of consumption or, in an eighteenth-century expression, to "bear a port" beyond their station, their desires for luxury goods caused idleness and confused the distinction between social classes. In the view of Pollexfen, then, the ways to prevent chaos were for the state and the church to exhort the duty to labor, for the parishes to take care that the children of the poor were inured to hard labor, and for the state to suppress all education, like the charity schools, which had a leveling tendency.

#### Partial Summary 1665-1700

Shortly after the plague, a frantic concern appeared over increasing the quantity of labor, a concern heightened by an intense jealousy about the success of Holland's commercial policy. Most of those who addressed the issue thought that the quantity of labor was a decreasing function of wages, and from them came variety of proposals designed to lower real wages or to force more effort. Among these proposals were the three policies that would later gain wide support: excise taxes, immigration, and physical coercion. A number of proposals drew no support, probably because they were unworkable, and these included the direct regulation of wages by magistrates, an army of inquisitors who would order people to work, a domestic spy system to report on anyone not working, an attempt to force the Irish to emigrate to England, and the taxing of farmers' harvests in order to leave them with only an average yield.

After 1690 a number of writers approached the position that the quantity of labor was an increasing function of wages. Their policies would have served to lower food prices through importation, to offer high wages at publicly-owned workhouses, and to eliminate the sumptuary laws. However, one author of the period thought that the desire for luxury goods reduced the quantity of labor.

The high wage and low wage advocates had different views on social mobility. While the former welcomed every tradesman's trying to get a coach, the latter wanted to preserve social distinctions, and these differences will be emphasized by later authors.

The subject of labor supply appeared in the midst of discussions of poor relief, tax policy, educational policy, immigration policy, tariff policy, and the role of luxury goods. Its ubiquity is a reflection of the dominant concern, expressed in numerous contexts, about developing England into a great commercial power.

#### Daniel Defoe

Daniel Defoe's views on labor supply seem to have changed over time. In his Giving Alms, No Charity, Defoe adopted a harsh posture with respect to the poor:

. . . there is a general taint of slothfulness upon our poor, there's nothing more frequent, than for an Englishman to work till he has got his pocket full of money, and then go and be idle, or perhaps drunk, till 'tis all gone . . . this is the ruine of our poor, the wife mournes, the children starves, the husband has work before him, but lies at the ale house, or otherwise idles away his time, and won't work.<sup>88</sup>

The purpose of this tract was to oppose the creation of workhouses. Defoe argued that there was a fund of possible work and that, if the

state manufactured some goods in workhouses, "thousands" of "diligent and industrious" laborers would be thrown out of the jobs because of the competition with workhouse products.<sup>89</sup> Workhouses would impoverish the diligent laborer to aid vagrants, thieves, and beggars. Defoe argued that a second reason for avoiding workhouses was that plenty of work was in fact available for unemployed laborers and that the reasons for the apparent widespread unemployment were the luxury, sloth, and pride of the willfully idle who created the "taint of slothfulness" which then "characterized" all of the poor. What is confusing about the two arguments against workhouses is the apparent paradox of how it was possible for there to be a fixed fund of work and the production of manufactures in workhouses which would inevitably cause unemployment while, at the same time, it was possible for there to be plenty of jobs for all the idle poor. A second confusing matter stems from the uncertainty about how many laborers fell among the "diligent" and "industrious" and how many among the willfully idle.

Ten years after writing Giving Alms, No Charity, Defoe found himself involved in a bitter dispute over a new commercial treaty with France. Some favored prohibitive tariffs on French goods because they feared that the importation of French manufactures would diminish the favorable balance of trade and impoverish the nation. The opponents of trade with France argued that the low wage rates paid in France would allow French goods a price advantage over English manufacturers. This argument was carried on with more than the usual hyperbole, at least in the writing of one author:

The French did always out-do us in the price of labour: their common people live upon roots, cabbage, and other herbage, four of their large provinces subsist entirely on chestnuts . . . .<sup>90</sup>

As the editor of a newspaper which supported lower tariffs on French goods, Defoe had to answer this type of reasoning. He argued that English goods (he was thinking mainly of cloth) were competitive because of their higher quality. In this and in other instances, according to Wiles, Defoe "was perhaps the foremost writer of the period [1700-1750] stressing the quality improvements that high wages would bring about . . . . Nowhere in Defoe's writings is this stress more vividly presented than in his thrice-weekly paper Mercator."<sup>91</sup>

Likewise to lower the wages for our poor's work, is the ready way to destroy our manufacture. The honour of the English woollen manufactures is upheld by its real goodness, in which it excells the whole world . . . . To lower the price of the wages of the poor, is of consequence to lessen the value of their goods, for this will ever be true in trade, that the less wages you give, the worse work shall be done: It is the goodness of our wages which we give above other nations, which makes the work our people do excell that of other nations; and we no otherwise give better wages; for as before, in proportion to the goodness of our goods, they are made cheaper by Englishmen than any nation in the world.<sup>92</sup>

Thirteen years after the Mercator, Defoe wrote a manual called The Complete English Tradesman on how to be a prosperous shopkeeper. In this book, the harsh tone towards the poor adopted in Giving Alms, No Charity has been altered to one of sympathy, for, here, Defoe described at length the misery of the poor when they are without work or forced to work at low wage rates and, in mentioning some riots by laborers, placed the blame for these demonstrations on "avaricious overgrown tradesmen."<sup>93</sup> Here, too, Defoe continued the

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argument initiated in Mercator to the effect that high wages encouraged laborers to make high quality goods:<sup>94</sup>

I know a great stir is made about bringing our manufacture to be as cheap abroad as may be; that rival nations, may not be able to weaken us . . . and this I grant most readily; but there are a 100 ways to bring our manufacture down to a low rate at a foreign market, besides running down the wages of the maker, such as taking off duties . . . .<sup>95</sup>

In his last book on economics, A Plan of English Commerce, Defoe tried to find the broad policies that would promote economic growth. Rejecting the notion that the nation's welfare could be augmented by lowering the incomes of the laboring class, Defoe believed that the national welfare included the happiness of that class. After referring to the starvation wage rates in China, Defoe wrote:

If these gentlemen . . . are content to reduce the wages of the people . . . to the rate of those in China or India, there is no doubt they might increase consumption [foreign sales] and sell off the quantity; but what would be the advantage? They would sell their goods and ruin their people; the benefit in the gross, I confess, I do not understand.<sup>96</sup>

Defoe also discussed, in his final book on the economy, the issue of inherited national laziness, a topic that goes back to Manley:

We say of some nations, the people are lazy, but we should say only, they are poor, poverty is the fountain of all manner of idleness; they have in short nothing to do, no employment in which they can get their bread by their labour . . . . diligence promotes trade, and trade encourages diligence.<sup>97</sup>

At the last, then, Defoe's main policy to promote long-term growth was to offer high wages and stable employment. From 1704 to 1728, his views had shifted from a low wage to a high wage position. Later writers on the high wage and low wage sides of the debate will

split sharply over the issue Defoe had posed about whether the happiness of the laborers should be a national goal. Low wage advocates will maintain that wages are a cost that must be driven to the physically possible minimum so that society (meaning those who did not have to labor) could gain wealth, power, and security. High wage advocates will not, as Defoe put it, be able to see "the benefit in gross" of such a policy. To the high wage advocates, the welfare of society was a reflection of the welfare of all of its members.

#### John Law

John Law was the most famous example of a "projector," a term which refers to a person who writes a pamphlet advocating some project because it would serve the public interest and, also, because he hoped for a reward from the government in the form of cash, or a job, or the management of the project. Law's favorite project was a paper money scheme which would stimulate growth by increasing the money stock and which he offered successively in Scotland, England, and France. In France, the offer was accepted with disastrous results.<sup>98</sup>

Law's first pamphlet chiefly advocated a council of trade to promote the wealth of Scotland and suggested numerous proposals that the hoped-for council might consider. Law complained about a series of good harvests in Scotland which he understood as the cause of corn being "extream cheap and low, even so as to . . . indulge the poor in idleness to an insufferable degree."<sup>99</sup> Law thought that excise taxes on necessities could lower real wages and "incourage . . .

industry in the poor,"<sup>100</sup> and he was more than sanguine in his estimate of the effect of an excise that would lower real wages by one-sixteenth. The response in hours worked that he predicted corresponded to an elasticity of supply equal to minus two.<sup>101</sup> As proof that a reduction in real wages would lead to an increase in real income, Law asserted that there is "no country in Christendom where the poor live near so well" as Holland even though Dutch workers paid the highest excise taxes.<sup>102</sup>

John Law was in the peculiar position of advocating that real wage rates be reduced while desiring that the incomes of the poor be increased. His pamphlet also offered a comprehensive plan for poor relief.<sup>103</sup> Law estimated what he thought was a reasonable level of income for a laborer and his family and guessed at the number of Scottish laborers whose incomes fell below this "poverty" level and by what amounts. Then, he summed this short fall across all laborers and derived a number which would now be called the "poverty gap." Law's plans to jump such a gap included public works, workhouses, and an expansion of domestic trade, each of which he hoped would raise the incomes of the poor enough that they could save part of their incomes to add to the "national store."<sup>104</sup>

Five years later, Law wrote a pamphlet to support his paper money scheme, and, in it, excise taxes, public works, and workhouses are abandoned as measures to relieve poverty: "It is with little success that laws are made for employing the poor or idle in countries where money is scarce . . .".<sup>105</sup> The key to prosperity now



seemed to him to be a sufficient money supply, and Law argued that paper money could enable expansion as much as gold.

In Money and Trade Considered . . ., Law continued to advocate increasing the incomes of laborers, but now he had to answer the charge that his schemes to increase their incomes and to make Scotland prosperous would flounder because of the inherent laziness of the Scottish laborer:

The reason generally given [for Scotland's poverty] is, that laziness and want of honesty are natural to us.

If want of honesty and laziness were natural, they would be so to mankind . . .; but it is more reasonable to think laziness and want of honesty are vices, the consequence of poverty, and poverty the consequence of faulty administration. If the same measures had been taken in Scotland for encourageing trade, as was taken in Holland we had been a more powerful and richer nation than Holland.<sup>106</sup>

John Law's views on labor supply thus presented a mixed picture. His statement to the effect that the elasticity of the labor supply function is equal to minus two can be discounted as an attempt to present his excise proposal in the most favorable light. Although Law consistently wanted to raise the incomes of the poor, it is, on balance, difficult to discern what he thought about labor supply, and he is a good example of the need for careful interpretation.

#### Bernard Mandeville

Mandeville's The Fable of the Bees or Private Vices, Publick Benefits was an attack on a religious doctrine called "rigorism." According to this doctrine, the ethical merit associated with any act depended entirely on the motives of the person involved. One who believed he was acting in accordance with the will of God acted

with virtue; conversely, actions based on the motive of self-interest were vices. Mandeville's argument was that economic growth depended on persons' trying to promote their own interests (and therefore being sinful according to the rigorist doctrine) and in particular that the use of luxury goods by the rich promoted economic growth by providing employment for the poor. Private vices, thus, issued in public benefits. Mandeville further argued that if the English lived according to the rigorist moral code the country would quickly become poor and subject to attacks from wealthier neighbors. In the process of his economic arguments against the rigorist doctrine, Mandeville was led to discuss the causes of economic growth, the determinants of labor supply, and the relationship between luxury goods and the supply of labor.

In calculating the sources of economic growth, Mandeville began with the same observation as William Temple that in a thinly populated and fertile country the people would be "poor, ignorant, and almost wholly destitute of what we call the Comforts of Life."<sup>107</sup> However, Mandeville denied that the pressure of high prices on necessities could transform the habits of a nation so that it would become industrious and frugal. He argued that the best method to make a nation rich and powerful was to promote the vices of luxury and pride. Whereas Temple had argued in part that the Dutch owed their wealth to a general habit of frugality, Mandeville wanted to show that frugality could not be a cause of Dutch wealth, and this demonstration was crucial to Mandeville because of the importance of the Dutch model in English eyes. If Dutch wealth was aided by

frugality rather than luxurious living, the argument that private vices led to public benefits would not be accepted, and, thus, Mandeville posited that the universal adoption of the virtue of frugality would diminish England's wealth in an argument based on a hypothetical situation in which the English adopted the habit of frugality. Assuming for the purposes of the argument that everyone would cut his consumption by one-fifth and save the remainder of his income, this thrift would lead to every laborer having a substantial savings. Mandeville next asserted, however, that as soon as laborers had accumulated these savings they would not longer be willing to work:

Let us now, everjoy'd with this increase of wealth, take a view of the condition the working people would be in, and reasoning from experience, and what we daily observe of them, judge what their behaviour would be in such a case. Every body knows there is a vast number of journey-men weavers, tailors, clothworkers, and twenty other handicrafts; who, if by four days labour in a week they can maintain themselves, will hardly be persuaded to work the fifth; and that there are thousands of labouring men of all sorts, who will, tho' they can hardly subsist, put themselves to fifty inconveniences, disoblige their masters, pinch their bellies, and run in debt, to make holidays. When men shew such an extraordinary proclivity to idleness and pleasure, what reason have we to think that they would ever work, unless they were oblig'd to it by immediate necessity?<sup>108</sup>

Mandeville thought that the public interest and the sources of economic growth required wages to be proportioned to the price of provisions so that laborers could "almost never be idle, and yet continually spend what they get."<sup>109</sup> In short, if the poor had accumulated some savings, no work would be done and all trade would be lost. What is paradoxical about Mandeville's argument against frugality is the fact that, given the "extraordinary proclivity to

idleness" that he describes, the poor would never save anything in the first place. What the proponents of Dutch frugality no doubt meant was that the Dutch frugality and industry were based on the same motives of increasing personal wealth, but Mandeville's argument assumed that laborers would save a fifth of their income while at the same time they retained their "extraordinary proclivity for idleness."

A second paradox in Mandeville's views on labor supply lies in his attitude toward the use of luxury goods. To Mandeville, luxury goods are the mainspring of economic growth because, he argued, people desired luxury goods to display their refinement or wealth. Associating the consumption of luxury goods with the sin of pride throughout The Fable of the Bees, Mandeville suggested that pride was the constant motivation of everyone, including the poor, as, for examples, when laborers are shamed into being courageous soldiers by their pride"<sup>110</sup> or when "the poorest labourer's wife in the parish, who scorns to wear a strong wholesome frieze, as she might, will half starve herself and her husband to purchase a second hand gown that cannot do her half the service; because, forsooth, it is more genteel."<sup>111</sup> "Human nature is everywhere the same," Mandeville argued; "there is no station in life, where pride, emulation, and the love of glory may not be displayed."<sup>112</sup> All of this awareness by Mandeville of people's overwhelming pride would suggest that he might follow Sir Dudley North and Charles Davenant in advocating the lure of luxury goods to increase the labor of the poor. The paradox is that Mandeville denied that the poor could be motivated to

greater effort by luxury goods: "those that get their living from their daily labour are seldom powerfully influenced by either [pride and avarice]: so they have nothing to stir them up to be serviceable but their wants, which it is prudence to relieve but folly to cure."<sup>113</sup>

The ostensible reason for this inconsistent view on luxury goods was Mandeville's fear of social leveling. If the poor could aspire to better clothes, or houses, or a coach, then the lines that distinguished one social rank from the next would be blurred. Mandeville thought that:

Among the labouring people, those will ever be the least wretched as to themselves, as well as to the publick, that being meanly born and bred, submit to the station they are in with chearfulness; and contented that their children should succeed them in the same low condition, inure them from their infancy to labour and submission, as well as the cheapest diet and apparel.<sup>114</sup>

Mandeville's concern over social leveling can also be seen in his attack on charity schools. Like Pollexfen, Mandeville believed the charity schools would raise the economic aspirations of the poor:

In a free nation where slaves are not allowed of, the surest way to wealth consists in a multitude of working poor . . . it is requisite that great numbers of them should be ignorant as well as poor. Knowledge both multiplies and enlarges all desires, and the fewer things a man wishes for, the more easily his necessities may be supplied.<sup>115</sup>

A man who has some education may . . . be diligent at the dirtiest and most laborious work . . . but he won't make a good hireling and serve a farmer for a pitiful reward.<sup>116</sup>

What Mandeville wanted was humility and obedience from the poor, and the emphasis he placed on the universal desire for luxury goods as

means of display casts doubt on his belief that the labor supply function was strongly backward-sloping (i.e., with an elasticity close to minus one). Mandeville seems to have opposed high wages more for their effects on social status than for any effect on the supply of labor. By keeping laborers "ignorant as well as poor," Mandeville thought that society (meaning those who did not work) would have a source of docile labor: "When obsequiousness and mean services are required, we shall always observe that they are never so chearfully nor so heartily perform'd as from inferiors to superiors."<sup>117</sup>

#### Lawrence Braddon

Braddon was another projector who advocated a vast scheme for "Relieving, Reforming and Employing the Poor," and he was one of the few authors who defined the term "poor":

By poor I do here mean not only they who are now chargeable to their respective parishes, but also those who have not (either in themselves or their parents) estates in houses, lands or money, whereupon to live without working . . . .<sup>118</sup>

Braddon's scheme for the poor involved the elimination of parish relief and the formation of a corporation to employ all of the unemployed poor. He estimated that the corporation would organize 1 1/2 million poor under a scheme in which one half would farm waste lands and the other half would make manufactures that would only be exported.<sup>119</sup> Believing that the vast majority of the unemployed poor were anxious to work, Braddon considered it "a breach of charity" to

accuse all of the unemployed of being rogues because of the few who refused work.<sup>120</sup>

Braddon advocated high wages both for laborers working for the corporation or in private employment: "I hope to shew in the following discourse . . . how we may . . . encourage, improve and increase all our manufactures, by allowing good wages."<sup>121</sup> Richard Wiles has argued that Braddon believed higher wages would lead to an improvement in the quality of manufacturers:

Braddon ties this improvement in quality to increased effort expended because of more attractive wages. In his analysis there is an explicit attack on the concept of the backward-bending supply curve of labour . . . .<sup>122</sup>

And, to support this interpretation, Wiles referred to pages 64 and 65 of Particular Answers to the Most Material Objections . . . .

The passage that Wiles seems to refer to is:

It is reasonable to suppose, that these capable poor, thus rewarded and encouraged to work will do more work and their work much better than the poor . . . who are starv-ingly maintained and thus discouraged from working--and it is a just observation which for the most part holds true, in all mechanical services that all manufactures may be reasonably expected to be in goodness, according to the wages given.<sup>123</sup>

This passage is ambiguous, however, because it is not clear whether the increased effort is caused solely by a better diet that would make the laborers stronger or whether it is solely a response to higher wages or both. Braddon usually advocated high wages for their effect in increasing consumption,<sup>124</sup> but, at least to the extent that he believed higher wages increased the supply of labor, he would be classified as a high wage advocate.

George Berkeley

George Berkeley wrote on the issue of labor supply because of his concern about poverty and unemployment.<sup>125</sup> Ian D. S. Ward and T. W. Hutchinson, in an article, a comment, and a reply, debated whether Berkeley saw the problem of unemployment as basically involuntary or voluntary.<sup>126</sup> The reason for their disagreement seems to lie in the fact that Berkeley possessed an outlook similar to that of Roger North--particularly to the effect that, although the supply of labor was backward-sloping (leading to voluntary idleness), the appropriate policies could transform the habits of laborers in such a way that the labor supply function might become forward-sloping. While Ward dwelt on Berkeley's complaints about laziness,<sup>127</sup> Hutchinson emphasized Berkeley's policies for transforming laborers' habits.<sup>128</sup>

Berkeley's most important economic work, The Querist, took the form of a series of questions which asked what policies might relieve Irish poverty and unemployment. Berkeley was certain that the Irish laborers had a fixed desire for income: "The bulk of our Irish natives are . . . kept from thriving by that cynical content in dirt and beggary which they possess to a degree beyond any in Christendom."<sup>129</sup> Thinking that the lure of reward could transform the habits of Irish laborers, he asked:

Whether the creating of wants be not the likeliest way to promote industry in a people? And whether if a peasant were accustomed to eat beef and wear shoes, they would not be the more industrious?<sup>130</sup>

Whether the way to make men industrious be not to let them taste the fruits of their industry? And whether the laboring ox should be muzzled.<sup>131</sup>



With the goal of raising the incomes of the poor,<sup>132</sup> Berkeley thought that promoting the desire for luxury goods, that is, goods that the Irish laborer was not accustomed to using, would increase the supply of labor and the incomes of the poor. In this, Berkeley followed Dudley North and Davenant in the opinion that luxury goods would stimulate industry, and his desire to raise the incomes of the poor contrasts sharply with the low wage advocates' desire, expressed by Mandeville, to lower the incomes of the poor.

#### Joshua Gee

Joshua Gee was the archetypal mercantilist author. As a merchant, he believed that the nation would thrive or decay as the balance of trade varied, and, in order to maximize the export of manufactures, he wanted unit wage costs to be as low as possible. Unlike Braddon or Cary, Gee thought that lowering wage rates was the only way to lower unit labor costs<sup>133</sup> and pointed to the Dutch economy as a model of how to lower real wage rates. The Dutch, putting a high excise on food and fire-wood, were able to drive their poor to work, Gee said, and, as evidence of the backward-sloping labor supply function, he observed:

It has been remarked by our clothiers and other manufacturers that when corn has been cheap, they have a great difficulty to get their spinning and other work done, for the poor could buy provisions enough with two or three days labour to serve them a week, and would spend the rest in idleness and drinking, etc. But when corn has been dear, they have been forced to stick all the week at it, and the clothiers have had more work done with all the ease that could be desired . . . .<sup>134</sup>

Gee also favored a workhouse which would enforce labor; he suggested whipping should be used to encourage those who did not want to work.<sup>135</sup> On the whole, Gee's outlook was that the poor were uniformly lazy and that the society (meaning those who did not work) would be served by lowering real wage rates as much as possible.

#### Richard Cantillon

Any concern for mobilizing greater labor effort does not appear in Richard Cantillon's Essai Sur La Nature Du Commerce En General, for there are no direct statements relating the aggregate supply of labor to the average level of wages, but Cantillon does discuss the supply of labor to individual occupations in such a way as to refute Pollexfen on this matter.

Pollexfen had argued that laziness of the poor caused them to avoid occupations involving hard labor and to overstock the easier occupations. This maldistribution raised wages in the understocked occupations which in turn allowed a further reduction in the quantity of labor,<sup>136</sup> and he wanted the state and the church to intervene to assure a proper distribution of laborers across the various occupations.

Challenging such a viewpoint, Cantillon argued that the pattern of wages observed for different occupations reflected different amounts of training and scarce skills with the lowest wages paid to occupations requiring no skill or training, such as farm-laborers or water-carriers. One who worked at an occupation like a locksmith, or a shoemaker, or a clerk required years of training, and someone

had to bear the cost of maintaining the apprentice during this period during which the apprentice lost the earnings he could have made by working in a simpler occupation. Before parents would consider making such an investment, Cantillon advised, they would have to be confident that the higher wages in the proposed occupation made the investment worthwhile. Some occupations already had wages above those based on the amount of investment because laborers in these occupations had to have some rare abilities, or had to be able to command great trust, or had to face risks and dangers. Cantillon considered it useless for the state to limit the number of candidates to these higher-paying occupations because, if too many candidates lowered the rate of wages in a particular occupation, in the future parents would not spend their money to train children for that occupation. Further, a state had only a limited power to increase the number of laborers by paying the training costs for those occupations it favored. When the superabundance of laborers depressed the rate of wages in a favored occupation, many of them would simply shift to more lucrative trades.<sup>137</sup>

#### Jacob Vanderlint

Jacob Hollander, in his introduction to the reprint of Vanderlint's book, pointed out that this book was part of a flood of books which opposed a scheme to increase excise taxes. Wanting to protect and raise the incomes of the poor to permit them the circumstances now enjoyed by "the middling sort,"<sup>138</sup> Vanderlint urged that the appropriate public policy was to lower food prices by expanding

cultivation on waste lands rather than to raise those prices by adding excises.<sup>139</sup> Like other proponents of high wages, he had to answer the charge that the labor supply was backward-sloping:

'tis objected, that the working people will not work above three or four days in a week, but get drunk the other two or three days, and that this would be worse, if necessities were rendered so cheap as I am contending for.<sup>140</sup>

But I shall offer an instance, to shew that the working people can and will do a great deal more work than they do, if sufficiently encouraged. For I take it for a maxim, that the people of no class will ever want industry, if they do not want encouragement.<sup>141</sup>

The example Vanderlint used was a general mourning period such as that following the death of the King when the nobility might require black clothes, and so on, and when, for as long as a month, a great deal of work had to be done quickly. The usual practice of clothiers and master tailors at such a time was to offer higher wages in order to encourage their workers to extra effort and longer hours. Coats accepted this example as creditable and cited an English law from that period which allowed higher wages during a general mourning.<sup>142</sup> Vanderlint argued that the extra effort expended during the general mourning could be expected at all times if wages were permanently higher.

#### William Temple--The Clothier

In 1738, after a series of riots by weavers, an anonymous pamphlet appeared that defended the weaver's actions. The pamphlet claimed that the blame for the riots could be placed on their employers, the clothiers, because of their various oppressions of their employees: (1) a conspiracy to lower wages, (2) the general adoption of a practice called "truck" in which workers were

paid in a script redeemable only for goods with inflated prices at the employer's store, and (3) high rents for the tenements which employers rented to their employees.<sup>143</sup>

William Temple (not the same William Temple who was the ambassador to Holland and who wrote in 1673) wrote a pamphlet to defend the clothiers against the charges made in "An Essay on Riots . . . ." Denying that any clothiers practiced "truck" or overcharged on rent payments, Temple maintained that the clothiers were doing a public service by keeping wages low. The first benefit of low wages, he argued, was higher quality in manufactures which led to an expansion of the export trade since "The best goods are made in the worst times."<sup>144</sup> The second benefit, he pointed out, was the increase in the quantity of labor supplied because of the backward-sloping labor supply function since "It is an incontestable truth, that the poor in the manufacturing countries will never work any more time in general, than is necessary just to live and support their weekly debauches."<sup>145</sup> Temple was concerned with keeping the poor docile and maintaining social stability, and he suggested that the goal of enforcing more effort from the poor and keeping them humble could both be served by abolishing the poor laws:

Necessity is the best spur to industry, and is the mother of diligence. Where there is nothing but a prospect of starving without industry and providence, this will make the poor frugal, diligent and provident. If the poor had no laws to rely on for support in their extremities, they would behave in a decent and more becoming manner to their masters and superiors.<sup>146</sup>

Sixteen years later, Temple wrote a second book which was similar in outlook to his first. In A Vindication of Commerce and

the Arts, the chief policy proposal was the implementation of a high excise tax to enforce labor. Temple saw the backward-sloping labor supply function as a fundamental element of human nature, for he was assured that the poor were incapable of reform, of forming new wants, or of acting with prudence and foresight:

To suppose that . . . the support of a family may be obtained in three or four days a week, and at the same time suppose that general industry may be practiced and that the mass or bulk of labourers will work a full six days a week, is to suppose a moral impossibility, what is contrary to common experience, what never was, nor ever will be, and shews a great ignorance of human nature . . . .<sup>147</sup>

Temple viewed laborers as having a character similar to animals. In his answer to the argument that high wages allowed laborers to have large families which would in turn increase population and promote national security, Temple replied:

[laborers] . . . are guided in their pursuits by lust and hunger. The consideration of the cares of a family does not prevent one in a thousand from marrying. When does the fear of hunger extinguish the incitements and allurements of lust?<sup>148</sup>

A second example of Temple's conception of the animal-like character of laborers emerges from his description of their behavior when wages were high:

If a labourer can procure by his high wages all the necessaries of life; and have afterwards a residuum, he would expend the same, either in gin, rum, brandy, or strong beer, luxurize on great heaps of beef fat or bacon, and eat perhaps till he spewed; and having gorged and gotten dead drunk, lie down like a pig, and snore till he was fresh.<sup>149</sup>

This passage suggests that Temple was opposed to luxurious or wasteful consumption, for in effect, it seems to accept the notion that high wages were wasted by laborers on evanescent pleasures and that the sober superiors could make a better use of the same funds.

Such a supposition is far from Temple's thinking, however, because what he had in mind were the ideas that each social class merited a certain consumption level and that high wages were wasted on laborers because the luxury of idleness and the consumption of some goods were more appropriate to higher classes:

There is a vicious luxury and an innocent luxury . . . . a porter may be viciously luxurious on fat bacon, tobacco, red herring, gin and malt spirits . . . whilst a nobleman may be innocently luxurious on ortelans, pine-apples, tokay and the richest wines and foods accompanied with a fine lady flaunting in jewels and brocade.<sup>150</sup>

To eliminate this possibility of this "vicious luxury," Temple felt that an excise tax on necessities should be created which would depress real wages to a level as low as possible: "The only way to make them [the laborers] temperate and industrious is to lay them under a necessity of labouring all the time they can spare from meals and sleep, in order to procure the common necessaries of life."<sup>151</sup>

Anonymous--Some Thoughts on the  
Interest of Money . . . , 1728

The author of this tract (hereafter referred to as Thoughts) was a proponent of agricultural interests who wanted higher food prices and increased consumption as the methods for raising the incomes of landlords, free-holders, and tenants. Thoughts offered a variety of proposals to achieve these ends: he wanted English mutton to be fashionable, wanted the excise taxes on foods to be dropped, and wanted, as his main proposal, the statutory maximum interest rate to be lowered. Thoughts reasoned that lowering the legal interest rate would aid his favored class in several ways: (1) it would lower

the taxes they had to pay to service the national debt;<sup>152</sup> (2) it would increase the price of food through an increase in aggregate demand;<sup>153</sup> (3) and, with the assumption that land-holders were generally debtors, it would ease the interest payments of this class.

In discussing the merits of his plan to raise food prices, Thoughts answered the hypothetical argument that higher food prices would hurt the poor:

As to labour, in husbandry or manufactures, it has been observed, that it is always dearest when provisions are cheapest, because people in low life, who work only for their daily bread, if they can get it by three days work in a week, will many of them make holiday the other three . . . . If a greater price on provisions should oblige them to work one day in a week more, or one hour in a day more . . . the pay of that day or hour would more than make amends for the advance in the price of such things as they commonly live on, and those who employ them might very well afford to set the industrious to work, and pay them better wages too . . . .<sup>154</sup>

But this passage is confusing because the phrase "work only for their daily bread" suggests that Thoughts believed that laborers had a fixed desire for income, but Thoughts seemed also to have felt the price increase would be more than compensated for by increased labor effort. Like John Law, Thoughts thought a reduction in the real wage rate would be followed by a rise in real income, and, if Thoughts believed that the supply of labor was backward-sloping, it would be inconsistent to advocate "better wages" and simultaneously to expect greater labor effort. When Thoughts discussed dropping excise taxes on food, he converted the image of laborers on constant holiday:

Some of the taxes are very grievous and burdensome to the poor, on which account surely they deserve all the favor and ease which the legislature can show them . . . .<sup>155</sup>



Much, to be sure might be said for such annihilation [to drop excise taxes on food] so that the nation, and especially the poor labourer and manufacturer, might have some present ease, and have a taste at least, of the blessings of peace and plenty.<sup>156</sup>

While answering another hypothetical objection to lower interest rates, Thoughts again changed his description of laborers on constant holiday. The objection he now faced was that widows and orphans who depended on interest payments for their income would be impoverished by lowering the legal maximum. Thoughts replied:

The wives and children of common labourers and artificers, may require some consideration . . . for, though their common support, the master of the family be living, he can hardly by the sweat of his brow get them daily bread.<sup>157</sup>

Finally, Thoughts illustrated a certain pitfall in attempts to understand views on labor supply. Like Child, Thoughts seemed willing to wage whatever argument that would support lower interest rates. The pitfall that hampered Furniss was the method of using quotations from numerous authors to describe a certain doctrine while ignoring the total views of each author and evolution of the doctrine over time. For instance, Furniss only quoted the passage-- "People in low life, who work only for their daily bread, if they can get it by three days work in a week, will many of them make holiday the other three or set their own price on their labor"<sup>158</sup>--a passage which, out of context, does not represent Thoughts' view. This problem of complex or inconsistent views on labor supply is widespread among authors in this period.

Partial Summary 1700 to 1750

In the period 1700 to 1750 the low wage and high wage doctrines began to crystallize as the antagonists realized that their respective policies for promoting growth would lead to different social orders. Each author's view of which social order was more desirable affected his views on the supply of labor. For Mandeville, Gee, and Temple the poor were meant to be "beasts of burden for the advantage of the privileged class,"<sup>159</sup> and, in harmony with this social outlook, they argued that the supply of labor was backward-sloping. For Defoe, Berkeley, and Vanderlint, increasing the incomes of the poor was an important social goal, for, in effect, they regarded the poor as a part of society rather than as its servants. Defoe, Braddon, and Vanderlint thought that the supply of labor in England was forward-sloping. Berkeley thought that the habits of the Irish laborer could be transformed for the Irish labor supply function to become forward-sloping. Several authors in this period are examples of the complexity of views on labor supply. Both Defoe and Thoughts are inconsistent and easily subject to misinterpretation.

The Dutch model became less important after 1700. John Law thought that Holland was the commercial power that Scotland should imitate. Mandeville had to prove that Dutch frugality could not be the origin of wealth. In any case, the Dutch are no longer described as the great rivals as they were in the writings before 1700.

Another development between 1700 and 1750 was that the concept of labor supply was widened to include quality as well as

hours. To Temple, the best goods were made in the worst of times or, again, to Defoe, high wages insured high quality.

To suggest that there was a debate between the "low wage" and the "high wage" advocates prior to 1690 is, perhaps, a mistake because the word "debate" implies a certain order. It implies that the debaters understand and answer the arguments of their opponents. It implies a common understanding of the questions at issue and a common understanding of what would constitute evidence and proof. Prior to 1690, then, the word "debate" is not applicable because there were no high wage advocates. Between 1700 and 1750, however, the discussion began to take on the character of a debate as each side became more aware of what its opponents were saying. As this discussion progressed, the tone of reproach and recrimination used by low wage advocates grew harsher and harsher; William Temple the clothier is a good example of this trend. This harsh tone so exasperated some authors that they were forced to reply, and these developments will intensify after 1750.

Between 1750 to 1776, low wage and high wage doctrines are further refined. The analysis of labor supply and policy is improved because much more able authors like Josiah Tucker, Taxes, David Hume, and Adam Smith are attracted to the subject.

#### Josiah Tucker

The first example of Josiah Tucker's views on labor supply appeared in a sermon of 1745 which Tucker delivered to the assembled trustees, benefactors, and some patients of a hospital for the poor.

In 1772, Tucker printed the sermon and prefaced this version of it with an apology for his harsh description of the poor in the earlier version. Tucker now wrote that the rebellion in 1745 had been the cause of that harsh tone. In the sermon itself, Tucker observed that:

. . . the common people . . . [are] the most abandoned and licentious wretches on earth. Such brutality and insolence, such debauchery and extravagance, such idleness, irreligion, cursing and swearing and contempt of all rule and authority do not reign so triumphantly among the poor in any other country . . . .<sup>160</sup>

Tucker then addressed some remarks specifically to the poor patients in the hospital:

. . . would you know, my poor brethren . . . what is the cause, that you often find a stop to business, and a stagnation to trade? Why, it is really this, that you do not labour as cheap, and are not content to live and fare, as hard, as the manufacturers in other countries: and consequently their merchants can afford to sell their goods at the market cheaper than ours . . . .

. . . Alas (and this is the ruin of all our trade) too many there are, who will not accept of work one part of the week, but on such terms as may enable them to live in vice and idleness the rest . . . . In this you are worse, much worse, than the common people of any other nation.<sup>161</sup>

The high price of English labor and the consequences of that high price on the balance of trade were, then, the most important economic problems in the view of Josiah Tucker.

Between the years 1750-1774, Tucker wrote four books on these issues. In the first book, he continued to describe the poor in the deprecating terms of the 1745 sermon.<sup>162</sup> Tucker thought that the solution to the problems of high wages and laziness would be the pressure of large numbers of laborers competing for the available jobs, and what presently prevented that solution, in his view, was

that the immorality of the English poor actually limited population growth: "10,000 common whores are not as fruitful as 50 healthy young virtuous and honest married women."<sup>163</sup> Thus, Tucker approved of a French law that required all bachelors to serve in the army because he felt that this was a powerful inducement to marriage and population growth.<sup>164</sup> Also, with an eye toward curbing the immorality of the poor, Tucker proposed a new officer to be called "Guardians of the Morals of the Manufacturing Poor" who would have the power to restrict alehouses and other diversions.<sup>165</sup> His last policy to increase population was to allow free immigration. Tucker opposed the use of excise taxes to lower real wages, because, he argued, such excise taxes would hurt all of the poor, the idle as well as the industrious,<sup>166</sup> but it did not apparently occur to him that depressing real wages by the use of large numbers would have the same effect.

In the next book, published during 1751 and 1752, Tucker continued to promote the idea of free immigration. In it, the poor are still described as "depraved and vicious,"<sup>167</sup> and Tucker continued to believe that unemployment was caused by the "great corruption of morals" through which the poor have become "disinclined to labour."<sup>168</sup> Tucker suggested that the immigrants could be used as strike breakers: since the immigrants were accustomed to low wages and long hours, the English laborers, in order to remain competitive, would have to copy the immigrants' habits of industry.<sup>169</sup>

Tucker's next book, The Elements of Commerce, presented itself as a comprehensive treatise on economics. Tucker privately

printed a few copies of the partially completed book with extra wide margins and circulated these among his friends for comments. In at least one copy (presently in the New York Public Library), he wrote comments and corrections himself. Although the book was never completed or widely circulated in his lifetime,<sup>170</sup> Tucker continued to focus, in it, on measures to increase population. He again opposed excise taxes, but now his reason for opposing them was that excise taxes might limit population growth.<sup>171</sup> In The Elements of Commerce, Tucker's attitude toward the poor has also changed. In the sermon and in subsequent books, he had argued that unemployment was entirely caused by idleness and immorality, but, while discussing the settlement provisions of the poor law in The Elements of Commerce, Tucker recognized that some unemployment is involuntary:

. . . in a commercial state it ought to be the constant aim of the legislature to continue matters in such a manner; that every hand should be employed and none kept idle that are either willing or able to work. But how can this be effected, unless there is sufficient work provided for the poor at home [in their parish], at all times and seasons, a supposition too extravagant to be admitted, or the poor be suffered to seek employment where-ever they can find it? Besides, there are many trades which are only temporary, and in their own nature periodical: others have a glut of business at one time and none at all another; either therefore the labouring poor ought to have double or treble wages for the time they can have work in order to lay up against a long vacation, or they should be permitted to seek for some employment or other at every place and in every season.<sup>172</sup>

A further shift of viewpoint occurs in his explanation of how immigration would reform the English laborer. Although previously he had argued that large numbers would depress wages and that the lower wage rate would force longer hours of work and allow less time for

vice, Tucker's new explanation asked for the application of a much gentler stimulus:

The genius of the English nation particularly requires, that it should be piqued by the example of industrious, skillful, and deserving foreigners. Tell an Englishman, that it is a shame for him to be excelled by a Frenchman--that he ought to keep up the glory of his country and not suffer himself to be out-done by a foreigner; and this will have a great, perhaps a greater effect to quicken his industry and mend his morals as any consideration whatever.<sup>173</sup>

Yet another shift in Tucker's thinking by the time of The Elements of Commerce can be seen in his handwritten notes. In the outline of a proposed chapter, Tucker wrote that "It is a vulgar error that rival nations cannot all flourish at the same time: [or that] poor nations will draw away trade from the rich: [or that] low wages create cheap manufactures."<sup>174</sup> These assertions are the reverse of what Tucker had been saying. What had apparently happened to change Tucker's views was a series of letters between him and David Hume.<sup>175</sup> The issue in these letters was, in Tucker's words, "whether a poor country, where raw materials and provisions are cheap, and wages low, can supplant the trade of a rich manufacturing country, where raw materials and provisions are dear, and the price of labour high."<sup>176</sup> Hume argued that an inflow of specie would raise prices in the rich country and that eventually the poor country could sell manufactured goods because of the lower prices there. Tucker disagreed because the rich country (by which he meant England) had several permanent advantages--among which were a better technology, a more skilled labor force, and more capital.<sup>177</sup> Instead of referring to the English laborers as the most "debauched" and

"depraved" in the world he now remarked the advantage of their "long habits of industry."<sup>178</sup> Instead of high wages being a disadvantage in England, Tucker thought that "the higher wages of the rich country, and the greater scope and encouragement given for exertion of genius, industry, and ambition . . ." will cause laborers from the poor country to emigrate to the rich one.<sup>179</sup> Thus, although Tucker had not come fully to the position that higher wages would cause increased effort, he had by this time shifted from his earlier position that English laborers were "the more idle in proportion to the advance in their wages and the cheapness of provisions."<sup>180</sup> Wiles refers to the conflicting statements by Tucker as a "curious contradiction" and suggests that Tucker's final opinion was that "a low wage . . . [was] basically advantageous for an economy . . . yet the rich country, i.e. the one experiencing high wages, has offsetting advantages with respect to productivity."<sup>181</sup>

In summary, the career of Tucker's thought must be regarded as a "shifting" one. He began with a low wage advocate position on labor supply and favored a policy of immigration because he thought that a large population would offer a variety of benefits beyond depressing wages. These benefits included the promoting of "rivalship and emulation,"<sup>182</sup> the division of labor,<sup>183</sup> and the advancement of national security. His desire to increase population led to his opposition to excise taxes. Although Tucker never abandoned his conviction about the utility of a large population, after some thirty years of consideration, the English labor force lost some of its "depravity" in his eyes. Two explanations exist for Tucker's



having changed his description of the English labor force: first, Bretano's thesis that "The one explanation . . . is . . . that the working class has changed,"<sup>184</sup> and, second, that the laborers were the same or nearly so, but that Tucker had changed his own mind. Considering the difficulty eighteenth-century writers had in reaching a consensus on the character of the English labor force, a resolution of the question of whether that character changed from 1750 to 1775 seems impossible at the distance of two centuries.

#### Henry Fielding

Henry Fielding wrote a book that was similar in tone to Tucker's sermon, for it was a lament over the decay in the morals of the poor. Like Braddon, Fielding was one of the few authors who defined "the poor": "By the poor, . . . I understand such persons as have no estate of their own to support them, without industry; nor any profession or trade, by which, with industry, they may be capable of gaining a comfortable subsistence."<sup>185</sup> Fieldings' definition is narrower than those previous definitions which had included among "the poor" everyone who had to work, but how well off a tradesman would have to be before he could be said to have a "comfortable subsistence" is left unclear by Fielding.

Fielding thought that the supply of labor of the poor was backward-sloping, and he quoted Josiah Child on the behavior of the poor in dear and cheap years.<sup>186</sup> Favoring a policy of wage regulation to lower wages, Fielding accused Child of being inconsistent because the latter had opposed lowering wages by regulation.

Fielding was also concerned about the encroachment of the lower class on the privileges of the higher, and, like Pollexfen, he attributed the laziness of the poor to their desire for luxury goods. Fielding referred to the attempts of tradesmen to mimic the manners and style of gentlemen and accused the poor of having the same impudence:

Nor does the confussion end here [with tradesmen]: it reaches the very dregs of the people, who aspiring still to a degree beyond which belongs to them, and not being able by the fruits of honest labour to support the state- which they affect, they disdain the wages which their industry would entitle them; and abandoning themselves to idleness, the more simple betake themselves into a state of starving and beggary, while those of more art . . . become thieves . . . .<sup>187</sup>

Fieldings' solution was to suppress alehouses, plays, public diversions and games where the poor might be tempted to waste time. Like Temple, Fielding had a selective vision on the immorality of luxury:

But while I am recommending some restraints on this branch of luxury . . . I confine myself entirely to the lower order of people. Pleasure always hath been, and always will be, the principal business of persons of . . . fortune.<sup>188</sup>

The business of the politician is only to prevent the contagion [of luxury] from spreading to the useful parts of mankind . . . and this is to the benefit of persons of . . . fortune too, in order that the labour of the rest may administer to their pleasures . . . .<sup>189</sup>

Finally, Fielding thought that almost all idleness was voluntary and that there were very few poor who were unable to work "for health is the happy portion of poverty."<sup>190</sup> In summary, Fielding is a good example of low wage doctrine. What is unusual is his preference for wage regulation because most low wage advocates regarded excise taxes, immigration, or workhouses as more effective.

### David Hume

David Hume's writings on economics are contained mainly in a series of essays first published under the title, Political Discourses (Edinburgh, 1752). He subsequently added more essays and rewrote the original ones. Also, some of Hume's letters deal with economics, and Eugene Rotwein has collected these writings in one volume.<sup>191</sup> Hume's purpose in his essays was to show that policies designed to improve the balance of trade were futile. Thinking that the amount of specie that would circulate in a country was a function of the industry and skill of the labor force, Hume argued that, as long as the English were hard working and skillful, they would not have a shortage of bullion. A related contention was that, even if some policies such as tariffs could force an inflow of specie, this inflow would be a disadvantage because domestic prices would be raised with the result that the nation would lose its export trade. Finally, Hume suggested that it was to England's commercial advantage that the Dutch, the French, and the rest of the neighboring countries were prosperous because this surrounding prosperity would expand trade.

Hume touched on the supply of labor in several contexts: when an inflow of specie temporarily raised real wages, when excise taxes lowered real wages, and when poor harvests lowered real wages. Hume thought that there was a temporary beneficial effect from an inflow of specie:

. . . in every kingdom, into which money begins to flow in greater abundance . . ., everything takes a new face: labour and industry gain life; the merchant becomes more

enterprising, the manufacturer more diligent and skilful, and even the farmer follows his plough with greater alacrity and attention.<sup>192</sup>

Hume attributed the increased effort on the part of laborers to a temporary rise in real wages, a process which began when some employers received gold for their export sales:

They are thereby enabled to employ more workmen than formerly . . .; [as] workmen become scarce, the manufacturer gives higher wages, but at first [the manufacturer] requires an encrease of labour; and this is willingly submitted to by the artisan, who can now eat and drink better, to compensate his additional toil and fatigue. He carries his money to the market, where he finds everything at the same price as formerly, but returns with greater quantity and of better kinds, for the use of his family . . . .<sup>193</sup>

This process would end when all prices had risen and when real wages were again reduced to their original level. The above passage suggests that Hume saw the labor supply function as forward-sloping.

In his discussion of excise taxes, Hume had a different position--namely, that the labor supply function was backward-sloping with an elasticity greater than minus one. In a letter to Turgot, Hume wrote:

It appears to me that where a tax is laid on consumption, the immediate consequence is that either tradesmen consume less or work more. No man is so industrious but he may add some additional hours more in the week to his labour: and scarce anyone is so poor but he can retrench something of his expence. What happens when the corn rises in its prices? Do not the poor both live worse and labour more? A tax has the same effect.<sup>194</sup>

Hume's view of the labor supply function when he discussed taxes and high food prices seems inconsistent with his view on labor supply when discussing an inflow of specie. Hume limited the effect of taxes in increasing industry, however, because he was certain that

only a small excise tax would increase the supply of labor: "But beware of the abuse. Exorbitant taxes, like extreme necessity, destroy industry, by producing despair . . . 'tis to be feared that taxes, all over Europe, are multiplying to such a degree, as will intirely crush all art and industry."<sup>195</sup> Hume's overall position on the labor supply function was that it was generally forward-sloping but that a small decrease in real wages might cause laborers to work longer hours to compensate partially for their lost incomes.

Hume regarded the poor as part of society:

Every person, . . . ought to enjoy the fruits of his labour, in a full possession of all the necessaries, and many of the conveniences of life. No one can doubt, but that such an equality is most suitable to human nature, and diminishes much less from the happiness of the rich than it adds to that of the poor.<sup>196</sup>

Further, he rejected the low wage argument that English wage rates should be lowered in order that more goods could be exported: "It is true, the English feel some disadvantages in foreign trade by the high price of labour . . . . But as foreign trade is not the most material circumstance, it is not to be put in competition with the happiness of so many millions."<sup>197</sup>

Anonymous--Considerations on the Fatal . . .  
Effects . . . of Public Charity, 1763

The author of Considerations on the Fatal . . . Effects . . . of Public Charity will be referred to as Fatal.<sup>198</sup> This work picked up the familiar theme that public relief for the poor diminished the supply of labor as it had been expounded by authors such as Temple (the clothier) who had advocated dropping public poor relief and

substituting private charity in order to take care of the few remaining cases of real need.<sup>199</sup> Fatal extended the argument that charity limited the supply of labor to include private charity as well, and he wanted to limit severely the use of private charity in England. Fatal's premise was that there was plenty of work available for everyone and that anyone who was neither blind nor unable to use his arms should work.<sup>200</sup> Because the excess of public and private charity allowed the poor to work so little that England was threatened with the loss of its export trade, Fatal was convinced that the country would soon be reduced to "a most despicable state."<sup>201</sup> He explained how charity lessened the supply of labor:

The injury to the community, arising from compulsory laws to keep all the poor, who prefer idleness to industry, and from the too numerous charities, is, fixing in the labouring people an idea, that misery cannot be attendant on poverty; the consequence of which is, they who formerly did, and now would work six days in a week, in order to provide, not only for the immediate necessities of life, but for their wives lying-in, sickness and other expensive occasions, seldom labour four, spending the gain of the last week, before they think of getting more. The indolence of the common people for one, or two days at the beginning of the week, is a fact that I believe cannot be doubted.<sup>202</sup>

Fatal particularly thought that free lying-in hospitals injured society:

. . . by taking from the common people one of the greatest spurs to industry; the most abandoned and inhumane wretches, have a great affection for their wives on these occasions, and as they are neither sudden nor accidental, they have both the time and inclination to make a provision, and by this means they become industrious.<sup>203</sup>

Too many charity hospitals, he thought, had the result that "the labouring people will find access so easy, that they will defy the terrors of a sick bed, once the great spur to industry."<sup>204</sup> While

Fatal did not discuss the supply of labor as a function of the wage rate, his analysis of the effect of private charity assumes that the poor have a fixed desire for income and a strongly backward-sloping (elasticity close to minus one) labor supply function.

Fatal also leveled an attack on charity schools and did so in a manner similar to those of Pollexfen and Mandeville. With the purpose of showing that charity schools would disarray the social order and disincline the poor to work, Fatal offered the novel idea that Scotland was poor because education was too easily obtained.<sup>205</sup>

Fatal's policy recommendations were to suppress all charity schools and all other charities, excepting a few insane asylums and hospitals which would retain sufficient "terror." All poor relief would come from a national public fund, under the most stringent controls. In order to correct the laziness of the poor, Fatal recommended the Dutch physic which consisted of a large closed box containing a hand-operated water pump into which was placed the individual requiring reform. Water was pumped into the box at such a rate that the individual would have to pump as fast as possible to keep from drowning. The advantage of this treatment was that if an individual proved incorrigibly idle the state would no longer have to maintain him. Fatal is an example that shows the strong contrast in attitudes towards the poor in high wage and low wage authors.

Anonymous--Considerations on Taxes . . . (1765) and  
An Essay on Trade and Commerce (1770)

This anonymous author was referred to as Taxes in the beginning of this chapter. Taxes was the most prominent reference in Marx's, Bretano's and Furniss' descriptions of eighteenth-century views on labor supply. Taxes' prominence seems to stem from his ability to state fully and consistently the low wage doctrine and from his "unerring instinct" to draw the appropriate policies from that doctrine:

. . . those who have closely attended to . . . the conduct of a manufacturing populace, have always found, that labouring less . . . has been the consequence of a low price of provisions, and that when provisions are dear, labour is always plenty, [and] always well performed . . . . This is a paradox which nothing but experience could teach us to explain . . . . observe, first, that mankind in general are naturally enclined to . . . indolence, and that nothing but absolute necessity will enforce . . . industry. Secondly, that the poor . . . work only for the bare necessities of life and for the means of a low debauch, which when obtained they cease to labour, till roused again by necessity. Thirdly, that it is best for themselves, as well as for society, that the poor should be constantly employed.<sup>206</sup>

Thus, Taxes gave indolence the status of a natural law which applied to all laborers throughout the world:<sup>207</sup> "I believe a state cannot be named in which sober industry hath prevailed, whilst the necessities of life could be procured with little labour; it amounts, almost, to a moral contradiction."<sup>208</sup> His second premise, "that the poor work only for the bare necessities of life," followed from the law of universal indolence. The title of Considerations on Taxes promises to provide "arguments drawn from experience, that nothing but necessity will enforce labour," and Taxes' proof from "experience" was that he had had conversations on the subject with many important



employers, whose names were not provided, who had assured him that nothing but necessity could enforce labor.<sup>209</sup> His third premise was that the laborer and society would be happier if the hours of work were extended. Since by "society" Taxes meant everyone who did not work, he must have thought that the basis of "society's" happiness in an extended workweek was self-evident. As for the happiness of the poor, Taxes supposed that there was a pleasure to be derived from working which was not subject to diminishing marginal utility: "It appears, to me, that constant employment is the road to rational happiness, and that no one wishes for the poor to enjoy, more than I do."<sup>210</sup>

Furthermore, Taxes wanted to prove, real wages were already high enough to allow the poor a short workweek by reminding his readers that the poor consumed "heaps of superfluities" such as tea, sugar, and tobacco and that these luxuries could only be bought with wages high enough to allow idleness.<sup>211</sup> Not content simply with that proof, Taxes also made an international comparison to demonstrate the excessive height of English wages: the poor in France, he claimed, ate "roots instead of bread,"<sup>212</sup> and the Dutch poor worked seven days a week.<sup>213</sup> Also in defense of lower wage rates Taxes argued that England was in danger of losing its foreign trade and therefore its wealth:

A state may, from the produce of its lands, be able to support its inhabitants, but such a state can no more expect to grow rich by its internal commerce, than a man can expect to increase his fortune by winning money from his wife and children. But, what is worse, such a state can never be in a situation to secure itself against the encroachments of ambitious neighbours.<sup>214</sup>

First, a lower wage rate would allow more exports because the prices of export goods could be lowered and still sold at a profit. Second, at low real wages, the quality of manufactured goods would be improved because the poor would become more careful and anxious to please.<sup>215</sup>

National security, the happiness of society, and the happiness of the poor all depended, therefore, on some effectual measures to lower real wages, and Taxes organized all of the previous proposals into a consistent program. The first policy was to levy high excise taxes on all the necessities of the poor. These taxes, which would not raise nominal wage rates,<sup>216</sup> would only make the poor work harder.<sup>217</sup> The second policy was the promotion of immigration by allowing anyone to become an English citizen,<sup>218</sup> and the idea here was that more laborers would lower the wage rate:

The idle and debauched, who now labour but four days in a week, and riot the other two, might, probably, complain; but of what? Why, that by admitting people more industrious than themselves, they should be obliged to labour six days in the week, and live temperate and sober.<sup>219</sup>

These two policies would lower real wages enough to enforce "moderate labour" (14 hours a day, 6 days a week).<sup>220</sup>

After writing Considerations, Taxes was criticized by Malachy Postlethwayt for seeking "the perpetual slavery of the working people of this kingdom . . . what sort of workmanship could we expect from such hard driven animals?"<sup>221</sup> In his Essay, Taxes replied that "I would always have it in the power of those poor, who labour six days, to have a small surplus, after their necessities are paid for, to regale themselves and their families with on Sunday. Would this be

slavery?"<sup>222</sup> Beyond a "surplus" for Sunday dinner, Taxes urged making the wage rate so low that "moderate labour" would only provide for subsistence. Realizing that under his program it would be impossible for the poor to have any savings, Taxes was not displeased because he thought that savings in the hands of the poor offered them some independence and ability to strike for higher wages and, thus, that extirpating the savings of the poor was a desirable feature.

The problem with eliminating the possibility of saving by the poor was that the elderly, blind, lame, sick, and orphaned would starve. Although Taxes was opposed to private charity because it might fall into the hands of the undeserving,<sup>223</sup> he thought public relief was necessary to provide for the deserving and to screen out the able-bodied. Most low wage advocates had not thought out as thoroughly the implications of lowering real wages, and they advocated both depressing wages and eliminating public relief. Taxes was both consistent and thorough enough to realize that poor relief would be required as a part of a program which would depress wages to the minimum for physical subsistence, but, in order to insure that the relief would not be abused, Taxes wanted support given only to supplicants who were willing to live in a workhouse:

If a workhouse scheme is to answer any good purpose . . . in regard to extirpating idleness, debauchery and excess, promoting a spirit of industry, lowering the price of labour in our manufactories, and easing the lands of the heavy burden of the poor rates; such a house must be made a house of terror.<sup>224</sup>

Although he thought the excise, immigration, and the work-house were the only methods of increasing the supply of labor, Taxes discussed the possibility that the desire for luxury goods would increase the supply. Defining luxury goods in terms of classes, a good was a luxury if it did not fit the situation and income of the consumer, Taxes admitted that promoting a desire for luxuries had some speculative merit: "If a desire for luxury produced industry, it might be useful."<sup>225</sup> Apart from providing the "means of a low debauch," however, Taxes did not think it was possible to awaken any desire for luxury goods among the poor: "I am sorry that encouragement will not have the same effect on the manufacturing poor, as necessity."<sup>226</sup> Experience showed, he suggested, that "indolence and ease are the luxuries of the poor."<sup>227</sup>

Taxes felt that, if his program was adopted, everyone would be happier and the social order would be maintained: "The labouring people should never think themselves independent of their superiors, for, if a proper subordination is not kept up, riot and confusion will take the place of sobriety and order."<sup>228</sup> Finally, then, Taxes stood as the culmination of the low wage doctrine because he built the ideas of the past century into a careful system. Further, through the interpretations of Marx, Bretano, and Furniss, Taxes has profoundly influenced the modern conception of what eighteenth-century writers thought about the character of the English labor force.

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James Steuart

Steuart's views on labor supply have not been described by any of the historians of economic doctrine who have reviewed the seventeenth- and eighteenth-century debates on labor supply.<sup>229</sup> Perhaps the complexity of Steuart's theory of labor supply and his economic system have discouraged these historians from including his views. This complexity resides in Steuart's comprehensive theory of development, for he recognized three stages of development: (1) a non-market economy with little or no foreign trade and with largely subsistence agriculture, (2) a market economy with extensive foreign trade and with agriculture on a commercial basis, (3) a mature economy with almost no foreign trade because autarky would be needed to preserve the mature economy's stock of bullion, its price level, and full employment.<sup>230</sup> Steuart thought that the supply of labor varied in each stage of development, and he offered different policy recommendations for each stage.

In the infant stage, a country would be underpopulated because farmers would grow only enough food to feed their immediate families with the consequence that there would be almost no manufactured goods and no foreign trade. During the infant stage, the supply of labor as a function of wages is irrelevant because there would be no labor market or wage rate. Labor is provided by slavery, by feudal obligations, or by subsistence agriculture.<sup>231</sup> In spite of such "labor," however, Steuart refers to this stage as one of general laziness.<sup>232</sup>

The catalyst which transforms the infant economy into a market economy with manufactures and foreign trade is the desire for luxury goods, Steuart argued, and he defined luxury as "an elegance of taste and living which has for its object the labour and ingenuity of man; and as the ingenuity of workmen begets a taste in the rich, so the allurements of riches kindles an ambition, and encourages an application to works of ingenuity, in the poor."<sup>233</sup> The desire of farmers and landlords for manufactured goods in turn caused them to produce a surplus of agricultural products that provided the subsistence for laborers in manufacturing. A general desire for luxury goods encouraged everyone's industry with the result that society would be transformed:

[In ancient times] men were then forced to labour because they were slaves to others; men are now forced to labour because they are slaves to their own wants.<sup>234</sup>

In this transformation, manufactured goods would first be imported, serving to excite a desire for luxury and refinement, and, next, domestic laborers would imitate foreign manufactures and eventually their growing skill would allow the country to produce its own manufactured goods for competition in foreign markets. To this point, Steuart sounded like Sir Dudley North and Bishop Berkeley, strong advocates of luxury to increase the supply of labor. Once a nation had established a manufacturing sector and gained some foreign trade, however, Steuart considered luxury goods as pernicious: "There can never be any advantage in having luxury introduced among the lower classes because it is then a mean only of rendering their subsistence more chargeable."<sup>235</sup> Steuart's goals for the market

economy are to maintain full employment, to maintain a favorable balance of trade, and to increase population and military strength in relation to rival states, and these goals required that domestic wage rates be kept lower than the wage rates in any rival state.

Steuart favored a strongly interventionist policy by the central government. In order to preserve low wages, low food prices were necessary:<sup>236</sup>

A statesman . . . should . . . by means of importation and exportation . . . regulate the price of subsistence; always observing to keep it somewhat lower at home, than it can be found in any nation rival in trade. If this method be well observed, inhabitants will multiply, and this is a principal step towards reducing the expence of manufactures; because you increase the number of hands, and consequently diminish the price of labour.<sup>237</sup>

Further, Steuart warned against taxes on consumption goods which were "purely necessary" because "misery" will invade the lower classes.<sup>238</sup>

But another low wage advocate measure, free immigration designed to increase population and lower wage rates, was opposed by Steuart because he thought that the immigrants, even if accustomed to long hours and low wages, would quickly adopt the higher domestic living standards and would not provide the competition in domestic labor markets which Tucker or Davenant had predicted.<sup>239</sup> Paradoxically, a second reason Steuart opposed free immigration was rooted in his belief that new immigrants could not be assimilated and would become a discordant element in the body politic.<sup>240</sup>

Steuart was, then, in the position of favoring low real wages while opposing two low wage advocate's doctrines designed for that purpose--namely, high prices on necessities through excise taxes and



free immigration. Steuart's alternative policy was uniquely an example of his penchant for government intervention--specifically, for the government to regulate wages in every occupation and locality by, first, encouraging new entrants when wages were too high and by, second, purchasing excess supply or providing bounties for exportation when wages were too low. Such regulation seemed to presuppose a minimum wage which the government should support, and Steuart devoted a great deal of thought to the notion of a proper minimum wage:

It is requisite that the individual of the most puny constitution for labour . . . and the most slender genius for works of ingenuity, having no natural defect, and enjoying health, should be able by labour proportioned to his force, to gain the lowest degree of physical necessity; for in this case, by far the greatest part of the industrious will be found [at a more comfortable level].

The difference between the highest class and lowest [among laborers], I do not apprehend to be very great. A small quantity added to what is barely sufficient, makes enough: but this small quantity is the most difficult to acquire, and a desire to surmount this difficulty the most powerful spur to industry. The moment a person begins to live by his industry, let his livelihood be ever so poor, he immediately forms little objects of ambition, compares his situation with that of his fellows who are a degree above him, and considers a shade more of ease, as I may call it, as an advancement, not of his happiness only, but also of his rank.<sup>241</sup>

In this context, the word "ease" probably refers to greater material comfort rather than to leisure. Clearly, Steuart differed from low wage advocates like Temple and Taxes who felt that the material desires of the poor were fixed. However, if wage rates for the most "puny" and least ingenious laborer in any occupation got very much higher than "the lowest degree of physical necessity," then a dangerous process occurred, the "consolidation," so called, of high wages

into the necessary price of the goods. For example, if an unusually high demand for silk raised the wages of domestic silk weavers, one could see that, after a few years, the weavers would grow accustomed to a higher material standard of life. This new standard would then become the "port" or socially accepted material position of silk weavers, and, even if demand was later to fall, silk weavers would continue to require a wage sufficient for maintaining their station in life, a wage which would have to be "consolidated" into the price of silk.<sup>242</sup> While the process of consolidation was not irreversible, the adjustment to a lower standard would be painfully slow. Thus, it would be the government's duty to prevent those unduly high or low wages, leading to consolidation, so that the country could remain competitive in foreign markets.<sup>243</sup>

Despite constant vigilance by the government, Steuart saw the encroachment of higher wages as inevitable. Tariff barriers would have to be raised for every industry where domestic labor became overpriced and eventually a position of autarky would be reached. In the mature economy, the third stage of development, Steuart would relax his restrictions against domestic luxury on the grounds that spending on luxury goods would help maintain full employment.

Steuart's discussion of labor supply and policy was based on the premise of the unreliability of free market solutions. The notion of "consolidating" high wages assumed that the supply of labor to each occupation was extremely inelastic. Also, without the benefit of government direction, laborers would consume either too

much or too little to serve the public interest. The effect of competitive markets on wages was further attenuated, he thought, by the notion that wages were at least in part determined by custom and rank.<sup>244</sup> Basically, Steuart did not think in terms of a supply of labor as a function of wage rates. Most of his Political OEconomy was written while in exile, and, today, Steuart's thinking on labor supply seems foreign to the English debate.<sup>245</sup> When Steuart returned to England, he imbibed some of the low wage arguments on labor supply, and his previous caution on excise taxes was abandoned:

. . . the sloth and idleness of man, and the want of ambition in the lower classes to improve their circumstances, tends more, . . . to lessen the productions of industry . . . than any tax upon subsistence which has been hitherto imposed in this kingdom.

The whole of this doctrine is proved by experience, and is confirmed by our natural feelings. Many have been amazed to see how well the manufacturing classes live in years of scarcity, which frequently have the effect of doubling the price of the most necessary articles of subsistence. Are they not found, in bad years, more assiduous in their labour? . . . Are they found idle one half of the week? Why should a tax laid by the hand of nature prove such a spur to industry; and another, similar to it in its effects, laid on by the hand of man produce . . . hurtful consequences?<sup>246</sup>

In this regard, there is an interesting letter by Steuart written the year after Smith, who took the high wage side on the issue of labor supply, published The Wealth of Nations. In this letter, Steuart reaffirms his view that high food prices are "advantageous to cheap manufacturing," but he laments the limited influence his views have: "I know my opinions have little weight, they have long been printed, little read and less considered."<sup>247</sup> Further, Steuart wrote, "These have long been, and still are, my notions on the subject. But I am sick of repeating them, I am old and inactive. I have had

conversations with the Glasgow theorists. I have written them on this same subject [tariffs to keep the price of food high], to no purpose."<sup>248</sup> Steuart referred to several authors who favored high food prices but their efforts were for nought, he regretted, because "Smith had printed in favour of free importation."<sup>249</sup>

In summary, throughout most of Steuart's formal theory, he did not consider the labor supply response in terms of either hours or participation to changing wage rates. Late in his career, he adopted the low wage view when discussing excise taxes and tariffs on food.

#### Arthur Young

Arthur Young was one of the first authors to survey wages, food prices, and employment which he did in a series of tours throughout England and France. Young's basic interest was agricultural problems, and most of his books were filled with descriptions of experiments in crop rotation or fertilizer but he discussed economic growth, trade, and taxation policy, when these topics touched especially on agricultural interests.

Young advocated high food prices on the grounds that they would increase farmers' incomes, and he welcomed support from writers like Taxes and Temple who represented manufacturing interests. Referring to Considerations on Taxes, Young wrote that "I . . . assert that lowering the price of provisions is of no use to our manufactures . . . but I shall be short in what I have to offer on this head, as the matter has been handled in a very sensible manner

already."<sup>250</sup> Young was the author of the most famous statement in this debate:

Everyone but an idiot knows, the lower classes must be kept poor, or they will never be industrious.<sup>251</sup>

He differed from Temple and Taxes in one detail: Young's extensive observations made him realize that wages were so low in some areas that laborers could not purchase enough food to maintain the energy to work properly.<sup>252</sup> In agreement generally with low wage doctrine that the wage rate for common labor should only provide a minimum of subsistence for a full workweek, he questioned only whether that standard was met everywhere.

#### Nathaniel Forster

The harsh statements of Temple, Tucker, Fielding, Fatal, Taxes, and Young caused a reaction by a half-dozen high wage advocates, and Nathaniel Forster initiated this reaction in his An Inquiry into the Present High Price of Provisions with his attempts to demonstrate that food prices in 1767 were unusually high, to assign causes for the high prices, and to suggest what evils flowed from these high prices.<sup>253</sup> With indignation Forster treated the argument that high food prices encouraged greater effort on the part of laborers:

But some people have the hardiness to assert, that high taxes upon the necessities of life contribute in their consequences to the even more plentiful production of them, and that the poor will be industrious only in the degree that they are necessitous. A doctrine this which avarice in private life has greedily seized and has not failed to improve to its own purpose. But this doctrine is false as it is inhuman. It is the common vice of narrow minds, thus to shelter themselves under general maxims; without considering

that there are no general maxims which hold universally, and to their utmost possible extent . . . because the wants of mankind are commonly the most powerful incentives to activity and application, and a general maxim from hence has arisen, that necessity is the mother of industry, the maximum has been extended to every degree and kind of necessity. Nothing is more common, according to Swift, as for men to believe a lie for their own ease.<sup>254</sup>

Forster thought that high food prices--whether created by excise taxes, poor harvests, or tariffs--would cause the poor to sink into a state of despondency within which they would expend only the minimum of effort, care, or spirit.<sup>255</sup> Over the preceding century, since the point at which Child had observed that poor harvests caused laborers to work harder and live better ("especially in relation to the public good"), such observations had gone unchallenged. In the remaining ten years of the debate on labor supply, this observation became a focal point of the debate with Forster the first to dispute it:

We have been told that the poor have been found to live better in years of scarcity and dearness, than when provisions have been more plentiful and cheap. I cannot but question the truth of this fact. Accounts of this generally come from suspicious authorities. And it is, I must say, totally contrary to my own observation.<sup>256</sup>

Forster thought that the happiness of the poor should be one of society's goals.<sup>257</sup> Further, he was certain that if the incomes of the poor were too far below the incomes of the rich, the result would be despotism and revolution.<sup>258</sup>

In summary, Forster rejected low wage doctrine because he believed low wage advocates simply wanted to redistribute income from the poor to the rich: "Is it indeed come to this, that the happiness



of a few thousand only is to be regarded, even though paid for by the misery of as many millions."<sup>259</sup>

Anonymous--Considerations on the Policy . . .  
of the Kingdom, 1771

The author of Considerations on the Policy . . . of the Kingdom (hereafter referred to as Policy) was familiar with the previous literature on the supply of labor, for he cited a dozen authors on this subject--singling out Arthur Young for particular criticism.<sup>260</sup> Policy complained that there was a conspiracy to depress wages:<sup>261</sup>

It has been fashionable of late to join in loud outcries against the working people of this kingdom, on accounts of pretended extortionate demands for wages, and likewise for idleness and vice, by some at least who have little right to reproach them from principle or practice . . . 'tis however a fact sufficiently notorious, that the rates of labour have not risen in proportion to the increase in taxes, and the price of provisions and other necessaries of life.<sup>262</sup>

With this view, Policy opposed each of the three chief measures to enforce labor. He argued against free immigration on the grounds that it would deprive some English laborers of their jobs,<sup>263</sup> and on excise taxes, he wrote:

Mr. Hume in some degree supports Sir William Temple's opinion, of there being a kind of political necessity to impell labour, by taxes . . . But he might have looked to his own country for proof, that mere necessity will not always do . . . what may be effected by encouragements . . .<sup>264</sup>

Finally, however, Policy's book was nearly bereft of economic arguments, for his chief concerns were political problems like extending the franchise or insuring governmental stability. On economic questions, his arguments resorted to personal attacks on the motives of low wage authors and to appeals to the common experience of his



readers, and this review of Policy serves to show the nature of its reaction against low wage doctrine.

### John Powell

John Powell was another author who reacted against low wage doctrine. With wages at present (1772) so low that laborers "want the common necessities of life,"<sup>265</sup> and with these low wages causing extensive emigration,<sup>266</sup> the poor, Powell argued, were so "discouraged and oppressed" that they refused to work.<sup>267</sup> Powell then proposed every remedy he could think of, including: (1) the public renting of small farms at low rates to laborers who would then be able to have a milk cow and some vegetables on these small farms which would "create and cherish a spirit of industry,"<sup>268</sup> (2) the restraint of the exorbitant profits of millers and grocers so the poor could purchase food at lower prices, (3) the price regulation for bread throughout England,<sup>269</sup> (4) the free trade in grain, (5) and the formation of cooperative societies to butcher meat at lower costs to the poor.<sup>270</sup> His goal was that laborers should be able "to purchase the necessities, not to say the conveniences of life, upon easy terms."<sup>271</sup>

In his battle against the low wage viewpoint, Powell next referred to Taxes:

The author . . . has taken some pains to shew that taxes and the dearness of provisions do not enhance the price of labour, and that it is of the utmost benefit to a trading nation to tax and keep up the price of necessities of life, because it has been observed that the dearer the necessities of life, the more our manufacturers are obliged to work and consequently the greater our trade and commerce.<sup>272</sup>

To this view, Powell answered that high food prices would raise wage rates because emigration and "despair" would reduce the supply of labor. Powell argued that the reason for the lack of a close correspondence between food prices and wage rates over the preceding twenty-five years was that a greater percentage of the poor were relying on the relief payments. He thought the excessively high food prices had forced many of the poor to seek public relief, "an observation which seems to have escaped [Taxes]."<sup>273</sup>

#### Thomas Mortimer

Thomas Mortimer is another author who formed the reaction against low wage doctrines. In a comprehensive textbook on economics, in which he criticized Taxes and extolled the benefits of high wages, Mortimer had a long passage defending high wages which is worth quoting in full because it stands as the best expression of the high wage view on labor supply prior to Adam Smith:

We have been told that if industry was enforced, by obliging the manufacturing populace to labour six days in a week, instead of four for the same wages, the work would be better performed, their sobriety would render them careful, and the necessity of such fine close attention, in order to provide food and raiment for their families, in dear seasons would make them assiduous to please, but the very reverse is to be apprehended, nay, is actually experienced, where from absolute necessity, the poor are thus oppressed, by the combined plagues of dearness of provisions, incessant labour, and low wages. Having no hopes of bettering their condition, which every rational person has in view, on his making a choice of any vocation in life, indifference will take the place of emulation, and thus the main springs of industry will be destroyed; for he who never entertains the idea of diminishing the weight of his dependency, either on himself or others, for his subsistence, or of enjoying due repose, and easy circumstances, suited to his station, will grow callous to common misfortunes; he will see his family pinning with hunger and nakedness; without using any

extraordinary exertions of his abilities; he will carry his industry no further, than to procure them temporary and partial relief, and from the little he earns by constant labour, he will retain a reserve to purchase the cup of oblivion to enable him to forget, for a few hours occasionally, the galling yoke of double bondage, to a hard hearted, mercenary master, and a numerous distressed family.

Can it be expected, that the labour or industry of a person so situated will be equal to that of him who is generously paid, in a degree proportional to the advantages derived from his ingenuity, close application or hard bodily labour; who sets about his work with a cheerful contented mind, which gives strength and activity to the body.

In the one case you must be satisfied with the common drudgery of an enervated slave; in the other you may expect new efforts of ingenuity, extraordinary exertions of abilities, and every good effect of a mind at peace and a body in the vigour of health.

Hold out an adequate reward, suited to any station in life, and how eagerly we enter the lists, to contend for the prize! What uncommon talents, what wonderful operations, almost beyond rational expectations are not men stimulated to, by the encouragement of mankind, and you will always find these good effects from them.<sup>274</sup>

#### Francis Moore

In still another reaction to low wage doctrine, Francis Moore argued that wages were so low compared to food prices that the lower ranks lived in "absolute misery" and that they had never lived worse in English history.<sup>275</sup> After proposing a variety of measures designed to lower food prices, Moore had to answer the low wage argument:

I am well aware that it will be urged (as it frequently has been) that when provisions are dear, there is an increase in the quantity of goods manufactured. This in part, I grant to be the case, as the industrious poor are then compelled to exert themselves with extraordinary assiduity to support their families; but when they see no prospect of relief, and are in distress for the common necessities of life, they murmur, they complain, and in time . . . they emigrate . . . or become desparate at home; the alarming outrages from the various mobs we have recently had would probably, without redress, have ended in civil war.<sup>276</sup>

Moore criticized Arthur Young directly, referring to his books as "calculated to mislead and deceive the public,"<sup>277</sup> and suggesting that, if Young was forced to live on the same wages as most laborers, he would be taught some humanity. If, on an analytical level, Moore added little to the debate on labor supply, he served nonetheless to demonstrate the sharp reaction to the harsh expression of low wage doctrine.

#### Adam Smith

Adam Smith's discussion of labor supply can also be viewed at least in part as a reaction to low wage doctrine. Smith covered almost every issue related to labor supply that had been brought up in the debate, and he improved the analysis and evidence for the high wage position in every instance. The various topics which were part of the debate were: (1) what model of human nature accurately described labor force behavior; (2) how best to transform the habits of laborers in an infant or subsistence economy to the diligence of modern laborers, and particularly whether coercion or rewards would be more effective; (3) if in a market economy the increasing opportunities to consume luxury goods and to advance in social rank would increase the supply of labor; (4) if the supply of labor in England as a function of wages was forward- or backward-sloping, the word "supply" could refer to a response in terms of hours, or labor force participation, or emigration, or the quality of labor in either effort or attention; (5) how tax policy, immigration policy, poor relief, and farm policy could affect the supply of labor; and (6) how

the domestic supply of labor affected foreign trade. Smith did not cover the second topic nor the subject of poor relief under the fifth topic but addressed himself to each of the other topics.

Smith's views on labor supply are based on his understanding of human nature. He first presented his views on luxury and human nature in The Theory of Moral Sentiments (1759) in which he argued that luxury goods were desired not for comfort, ease, or any physical satisfaction that they provided but, rather, for the status and admiration or, in Smith's words, for the "sympathy" of mankind:

It is because mankind are disposed to sympathize more entirely with our joy than our sorrow, that we parade our riches and conceal our poverty. Nothing is so mortifying as to be obliged to expose our distress to the view of the public, and to feel, that though our situation is open to the eyes of all mankind, no mortal conceives for us the half of what we suffer. Nay, it is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty. For to what purpose is all the toil and bustle of this world? What is the end of avarice and ambition, of the pursuit of wealth, of power, and pre-eminence? Is it to supply the necessities of nature? The wages of the meanest labourer can supply them. We see that they afford him food and clothing, the comfort of a house, and of a family. If we examine his economy with rigour, we should find that he spends a great part of them upon conveniences, which may be regarded as superfluities, and that, upon extraordinary occasions, he can give something even to vanity and distinction. What then is the cause of our aversion to his situation, and why should those who have been educated in the higher ranks of life, regard it as a fate worse than death to be reduced to live, even without labour, upon the same simple fare with him, to dwell under the same lowly roof, and to be clothed in the same humble attire? . . . From whence then arises that emulation which runs through all the different ranks of men, and what are the advantages which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. It is vanity, not the ease, or the pleasure, which interests us. But vanity is always founded upon the belief of our being the object of attention and approbation.<sup>278</sup>

The argument that material goods beyond those that provided for physical subsistence were desired because of vanity was similar to Mandeville's position, but a crucial difference was that, while Mandeville thought the poor seldom influenced by vanity, Smith referred to "all the different ranks of men." Smith had a certain disdain for the physical pleasures provided by luxury goods, for he thought "that wealth and greatness are mere trinkets of frivolous utility, no more adopted for procuring ease of body or tranquility of mind, than the tweezer-cases of the lover of toys."<sup>279</sup>

Since the consumption of luxury goods was only useful to an individual to gain the admiration of others, luxuries could only be defined in the context of a particular social setting, and his rule was that if the lack of a particular good caused an individual to be an object of shame the particular good was a necessity. For example, the lack of leather shoes made even the meanest Englishman an object of shame whereas French laborers commonly went without shoes. Thus, in England, leather shoes would be necessities, and, in France, they would be luxuries. Tobacco was commonly used by English laborers but, since no one would be the object of shame if he had no tobacco, tobacco was to be considered a luxury. The social definition of luxuries was related to the concept of social ranks because consuming certain luxury goods was associated with a certain income level which was in turn associated with a particular social rank. For Smith, "Bettering one's condition," consuming luxury goods, and increasing one's income all belonged to the same process because the word "condition" meant social rank. He thought that, in part, most

people tried to "better their condition" because they mistakenly imagined that luxury goods provided pleasure and comfort: "It is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind."<sup>280</sup>

In the Wealth of Nations, Smith re-emphasized the ideas that bettering one's condition was desired by every class and that this desire was an important private motive because it served a public purpose. In Smith's system of natural liberty, the universal desire to better one's condition provided an impetus for economic growth because the desire to better one's condition, he thought, was as much an engine for growth as the division of labor and the accumulation of capital. New inventions, extra care in managing a business, or extra effort in doing a job were based on this desire. Further, as society moved to greater opulence, the supply of labor would grow or at least remain constant because old luxuries would become new necessities; while everyone lived at a higher material plane, individuals would continue to strive to better their relative social position:

. . . the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which separates those two moments, there is scarce perhaps a single instant in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind.<sup>281</sup>

Forty years after writing The Theory of Moral Sentiments, Smith continued, in some additions to that book, to emphasize the importance of the desire to better one's condition:<sup>282</sup>

Though it is in order to supply the necessities and conveniences of the body, that the advantages of external fortune are originally recommended to us, yet we cannot live long in the world without perceiving that the respect of our equals, our credit and rank in the society we live in, depend very much upon the degree in which we possess, or are supposed to possess those advantages. The desire of becoming the proper objects of this respect, of deserving and obtaining this credit and rank among our equals, is perhaps, the strongest of all our desires, and our anxiety to obtain the advantages of fortune is, accordingly, much more excited and irritated by this desire, than by that of supplying all the necessities and conveniences of the body, which are always very easily supplied.<sup>283</sup>

Smith's views on human nature suggested that laborers would respond to high wages by working longer hours in an effort to better themselves, but, while he held this view in The Wealth of Nations, a passage found in a student's notes from one of Smith's class-lectures takes the opposite view:<sup>284</sup>

. . . we find that in the commercial parts of England, the tradesmen are for the most part in this dispicable condition; their work through half the week is sufficient to maintain them, and through want of education they have no amusement for the other, but riot and debauchery. So it may very justly be said that the people who clothe the whole world are in rags themselves.<sup>285</sup>

Edwin Cannan and Samuel Hollander have suggested reasons for the discrepancy between Smith's earlier and later views on labor supply.

Cannan pointed out that Smith had to teach the class on short notice because he was substituting for an ailing colleague and surmised:

. . . that when Smith had hurriedly to prepare his lectures for Craigie's class, he looked through his notes of his old master's lectures (as hundreds of men in his position have done before and after him) and grouped the economic subjects together as an introduction and sequel to the lectures which he had brought with him from Edinburgh.<sup>286</sup>

Hutcheson, Smith's "old master," was a low wage advocate, and, if Smith uncritically incorporated some of Hutcheson's views in these



lectures, this could have been the cause of the discrepancy.<sup>287</sup>

Hollander's argument is that Smith changed his mind on the issue of labor supply because the structure of English industry and the character of the labor force had changed between 1760 and 1776:

The sharp distinction between Smith's approach to the nature of the labour supply function in the Lectures and The Wealth of Nations is striking: it suggests, perhaps, a metamorphosis in attitudes from those of a typical "pre-industrial" to those of a "proletarian" labour force with a rising taste for manufactures and "luxuries."<sup>288</sup>

Hollander follows Coats' earlier argument to the effect that the change of character in the English labor force caused a corresponding change in the attitude of economic writers from low wage to high wage views, with Smith's views also representing, in part, this shift in attitude.<sup>289</sup> Hollander also identifies the low wage position with mercantilism.<sup>290</sup> The thesis that the low wage position was also the mercantilist position will be discussed below along with Coats' thesis that there was a change in attitude among economic writers after 1750. In any event, the argument that the English labor force changed significantly between the Lectures and The Wealth of Nations does not seem plausible, and, considering the bitter dispute at the time over the character of the labor force, it seems impossible, at a remove of two centuries, to settle this question. Still, it should be repeated, it seems implausible that the labor force could have changed its character over such a short period without a single contemporary author having noted such a change. Although Tucker and Smith seemed to change their views over this period, neither made a direct statement to the effect that the present labor force was more

industrious than the labor force had been ten or twenty years earlier, and Hollander's suggestion that the labor force changed in response to the industrial revolution marshals no direct evidence to support such a change.

An alternative explanation for the discrepancy between Smith's earlier and later views might be that he became more specifically concerned with economic problems between 1760 and 1776 and that, while studying these problems and the texts of other economic writers, his perception of the labor force changed. Or, it might have been that in a confrontation with the low wage position, which received its strongest expression in this period, Smith re-thought his position on labor supply in responding to the views of authors like Young and Taxes.

In any case, Smith's analysis of the supply of labor was a virtuoso performance. Most of the analysis was in chapter VIII of The Wealth of Nations, the chapter entitled "The Wages of Labour." In it, Smith began by appealing to the experience of his readers in order to show that the supply of labor was forward-sloping. He observed that, in high wage areas, laborers worked with greater effort and for longer hours in relation to laborers in low wage areas by drawing on the comparative examples of England versus Scotland and major cities versus remote country areas. He further observed that laborers had a tendency to overwork when offered high wages to the extent that they ruined their health and cited a medical authority to support the frequency of occupational disabilities caused by overwork. As a case in point, Smith referred to the

example of English soldiers who otherwise had a reputation for laziness. When occasionally the soldiers would be paid at a high piece rate for some work like digging ditches, however, the officers were usually forced, Smith wrote, to limit the amount of work that the soldiers could do per day so that they would not impair their health. None of these examples had been used before in the debate on labor supply. In continuing the argument about overwork and ill health, Smith noted that the reason so many laborers skipped work on Saturday or occasionally Friday was that the laborers were exhausted by excessively long hours during the first four days of the workweek. With these examples in view, Smith thought that employers who offered a liberal wage rate, rather than having the problem of coercing greater effort, ought to be careful to restrain shortsighted laborers from ruining their health by excessive work.

Smith next discussed the observation that in years of high food prices employers could obtain all the laborers they needed at low real wage rates while in years of low food prices laborers were difficult to obtain even at high real wages. Smith did not think this observation proved that the labor supply function was backward-sloping. He pointed out that in years of cheap food employers often tried to get more work done and that many laborers tried to set themselves up in independent businesses. The increase in demand for labor was caused by an increase in the wages fund; at the same time laborers, forming their own firms, reduced the supply of labor--not to the economy in general but to the labor market. The effect of these two shifts was the observed rise in real wages, and the effect

of the opposite process was a decline in real wages in a dear year. Smith was certain that a cheap year brought about a sharp increase in labor effort, especially among the newly independent artisans, and that the labor supply function was forward-sloping, and his review of the yearly production of linen in Scotland and woollens in Yorkshire was consistent with his hypothesis, even though the data on output was biased in the direction of undercounting output in cheap years because many newly independent businessmen produced unrecorded output for local markets. Smith also cited a study by a French tax collector that showed a greater output of linen, silk, and wool in cheap years in several French provinces.<sup>291</sup>

Smith's review of the labor supply question in dear and cheap years represented an improvement over past discussions in two respects: first, the concept of shifting demand and supply functions was an analytical advance, and, second, even an attempt at an empirical verification of a theory was, at this time, a novelty. In Smith's description of the labor supply function, laborers seem passionately to desire higher incomes or to better their condition and seem to be reckless of their health and ready for Herculean efforts if given the opportunity to raise their status or insure their security.

Given this view of labor supply, Smith did not believe that those high excise taxes designed to raise the price of necessities would increase the quantity of labor:

Such taxes, when they have grown up to a certain height, are a curse equal to the barrenness of the earth and the inclemency of the heavens; and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health, under an unwholesome regimen; so nations only, that in every sort of industry have the greatest natural and acquired advantages, can subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which from peculiar circumstances continues to prosper, not by means of them, as has been most absurdly proposed, but in spite of them.<sup>292</sup>

The phrase "as has been most absurdly supposed" is typical of the tone Smith used when discussing labor supply, excise taxes, or the effect of high wages on foreign trade.<sup>293</sup> He constantly attacked adversaries whom he did not name, perhaps because he felt that naming them would give them more notice and status than they deserved. Such an example of Smith's thinking in this regard is in one of his letters:

I have the same opinion of Sir James Steuart's book that you have. Without once mentioning it I flatter myself that any fallacious principle in it will meet with a clear and distinct confutation in mine.<sup>294</sup>

Other examples carry the tone that Smith used when discussing labor supply:

The pecuniary income . . . [of laborers has] increased considerably since . . . [1690] though perhaps scarce anywhere so much as some exaggerated accounts of the present wages of labour have lately represented them to the public.<sup>295</sup>

Our merchants frequently complain of the high wages of British labour . . . .<sup>296</sup>

The liberal reward of labour . . . as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it, is to lament over the necessary effect and cause of the greatest public prosperity.<sup>297</sup>

In cheap years, it is pretended, workmen are generally more idle . . . .<sup>298</sup>

The authors Smith had in mind when he referred to complaining, lamenting, pretending, and exaggerating can be surmised by reviewing the books in Smith's library,<sup>299</sup> for Smith owned books by Arthur Young and by Josiah Tucker, two of the leading low wage authors and by many other proponents of the conservative position.<sup>300</sup> Although neither of the two books by Taxes, the most important low wage author, were in Smith's library, it is unlikely that Taxes could have escaped Smith's notice because Taxes stood at the center of the debate on labor supply, because each of the last six authors discussed here referred to Taxes, and because several books in Smith's library did at least refer to Taxes.

In summarizing Smith's position on labor supply, it is necessary to point out that Smith reacted to the strong statements of the low wage position made just before The Wealth of Nations was published. Smith made the most cogent statement of the high wage position as his views on labor supply flowed from his theory of human nature, an integral part of his system of natural liberty.

#### Partial Summary 1750-1776

In this period of the debate, both the high wage and low wage positions were developed into consistent systems, and both sides began with a theory of human nature. The high wage view was that almost all individuals wanted to better their social and material position, that most material goods were desired because they raised the status of the consumer, and that these desires caused a constant

emulation. The low wage position was that almost all individuals were utterly indifferent about their social and material position and that the desire for material goods was nearly fixed. As defined above, when the terms were introduced, the high wage position was that high wages would cause greater effort, and the low wage position was that the lowest possible wage consistent with maintaining the health and energy of the laborer would maximize labor effort, and the two positions on human nature were consistent with their respective positions on labor supply. Next, low wage advocates proposed a series of policies to lower wage rates which included:

(1) high excise taxes on necessities on the argument that the taxes would not be compensated by higher wage rates, (2) encouraging immigration with the offer of free English citizenship and with the hope that the immigrants would provide more competition in the labor market, (3) use of physical coercion on recalcitrant laborers and the limiting of applicants for public relief by requiring that relief be given only in workhouses and only as niggardly as possible. High wage advocates replied that these measures would cause despair, emigration, riots, and political instability. As alternative policies, high wage advocates favored low food prices, advocated the removal of bounties on the export of grain, urged the free importation of food, suggested the extension of cultivation on wastelands and the renting to rural laborers garden plots and milk cows. They pointed out the difficulty the poor had in accumulating any savings, and, as remedies, they advocated small banks, pension funds, and cooperative savings and insurance funds to facilitate saving.

In this period, Tucker, Young, and especially Taxes presented the full logic of the low wage system with the greatest force and clarity, and the vigor of their presentation is probably why so many authors replied on the high wage side. Forster, Policy, Powell, Mortimer, and Smith fashioned the low wage position, and the ensuing sharp exchange of views made the 1750 to 1776 period more like a formal debate than like the general ruminations which characterized the discussion in the previous periods.

Also in this period, a strong contrast can be observed between the high wage and low wage views of society. To low wage advocates, the poor served society, while to the high wage advocates the poor were part of society. The low wage advocates opposed social ambition in the poor because they felt that it would lead to confusion and insolence, and they opposed charity schools because any tendency to over-educate the poor would give them exalted notions of their own merit. Fatal and Fielding are examples of this outlook. The high wage advocates, such as Hume and Forster, had a more utilitarian outlook in that, for them, the welfare of the poor was an important goal. Social ambition in the poor was lauded as a source of economic growth, for Moore and Forster were afraid that, if the incomes of the rich and the poor were too far apart, social stability would be threatened. The low wage advocates expressed the same fear, but, in their view it came from worry that the incomes of the rich and the poor should become too close.

James Steuart represents somewhat of an anomaly. Although he focused on the same issues as the other authors in the debate, his



system uniquely envisioned a government intervention in markets so detailed and so vast that it was outside the vision of his contemporaries. In part, his views on the inefficiency of labor markets, on consolidated high wages, and on the slow adjustments to changes in demand or technology were what prompted his position on government intervention. Most of Steuart's system was formed when he was on the continent in exile, however, and, when he returned to Great Britain, he was swept up by the controversy on labor supply, in which he took the low wage side.

### Summary and Conclusions

#### Assessment of the Overall Viewpoint

The ideas of 40 authors have been described in the review of this literature, with Smith and Taxes respectively representing the final high wage and low wage positions. Many of the remaining 38 authors can be described as having views which align fairly closely with either Smith or Taxes: about 17 authors lean toward the high wage position, and about the same number lean toward the low wage position. Thoughts and John Law must be regarded as so inconsistent that neither can be described as leaning one way or the other. Some of these authors have been cited to show the development of certain ideas or evidence of certain attitudes, even though these authors did not specifically refer to labor supply. Sheridan and Sir William Temple were referred to in order to trace the development of the idea of using excise taxes to increase labor effort. Abuses and Concern were cited as examples of a sympathetic attitude towards the

poor. On the basis of this review, it appears that after 1690 there were about as many proponents of the low wage as of the high wage position--a conclusion which is at variance with the view of Furniss whose conclusion was that high wage advocates were a small minority. The reason for this disagreement lies in the different research methods used in this dissertation, as described in the introduction to this essay, and those used in Furniss' dissertation. A second area of disagreement with previous research occurs with respect to the thesis of Coats that high wage views emerged after 1750 because, as has been demonstrated, elements of the high wage doctrine can be found prior to 1700, in the thought, for example, of Sir Dudley North, Walter Harris, Charles Davenant, and John Cary. Except for the very beginning of the debate, at which point there was a preponderant series of low wage authors, the approximate equality in numbers holds. In short, as many English economists thought that the labor force could best be mobilized by encouragement as those who felt that the pressure of necessity was most effective.

#### Development of the Debate on Labor Supply

The common element, on which almost every writer in this debate agreed, was that England should be a great commercial power, with the Dutch as a model. Further, nearly everyone understood that a prerequisite of this goal was to mobilize labor into a force which was ingenious, meticulous, and, most of all, hard-working. This dissertation has focused on the ways in which different authors argued that greater effort could be gained from the existing labor force.



Although mobilizing the existing labor force was the primary concern of these authors, they also discussed proposals for training the young to grow up to be diligent laborers and proposals for increasing the population. The reasons many of the authors discussed the supply of labor under so many topics are, first, the widespread concern over increasing the supply of labor and, second, the obligation of each author with a proposal which might affect work incentives to show that his proposal either would enhance or, at least, would not limit those incentives.

The views on labor supply and appropriate policy crystallized in time into two opposing positions. Moreover, as the discussion progressed, it became more like a debate, at least in the sense that questions at issue were clearly defined and that the participants became aware of each other's positions. In the 1670's and 1680's, references to the supply of labor, and related policy, were scattered throughout the pamphlet literature of the time, and, thus, only the most famous authors, like Petty and Sir William Temple, are cited. By 1770, a sense of the continuity of the debate had grown, and Forster, Young, and Policy were able to refer to the views of dozens of predecessors.

Finally, the tone or attitude of various writers seems to have influenced the course of the debate because some low wage statements made near the end of the debate--to the effects that English laborers were depraved animals and that they were worse than the laborers of any other country--rankled others so much that they were moved to reply. This irritation is evident in the ad hominum

attacks on Young and Taxes, and such attacks were among those methods used to convince readers of the truth of either the high wage or low wage positions. A second method was to appeal to the experience of the readers. Throughout the entire debate, one can find expressions like "everyone knows that . . .," or "experience daily teaches us that . . . ." But such appeals to the experience of the reader were worthless because high wage and low wage advocates seemed to be viewing different worlds. Another method to establish proof was to cite authorities who might have first-hand knowledge. These citations carried little weight, however, because they were almost always anonymous and because they did not refer specifically to figures, dates, or incidents. The usual citation ran something like, "many substantial clothiers have assured me that . . . ." And still another method to establish proof was to derive the labor supply function on the basis of an a priori model of human nature, but, again, this derivation carried little force since there was no apparent consensus about human nature.

Whether the supply of labor was a decreasing or an increasing function of wages could only be resolved on an empirical basis, and Smith's analyses of shifting supply and demand functions, along with his study of output in some sections of Scotland, England, and France, are the only steps in the direction of an empirical test.

#### The Relationship Between the Concept of Mercantilism and the Views on Labor Supply

Several historians of economic thought have identified the low wage position with mercantilism.<sup>301</sup> In order to explore this

relationship, the word "mercantilism" will be defined, and the views of low wage and high wage advocates will be compared on the basis of this definition. The definition of "mercantilism" will be an attempt to give the most common or traditional meaning of the term. Any "ism" involves a set of related beliefs, and the first and most important belief was that a nation would prosper or decay to the extent that it had or did not have a favorable balance of trade.<sup>302</sup> The question of how precisely a favorable balance of trade was supposed to make the nation prosperous was almost never explained. Some authors like Cantillon and Tucker recognized that an inflow of specie would raise domestic prices, but they still wanted to promote a favorable balance of trade. Taxes had a gift for clearly expressing his ideas, and his example showing that domestic trade could not increase the nation's prosperity is a striking one. Domestic trade was like a game of cards with one's family: one could not grow rich while playing against his wife and children. Somehow, it was vaguely supposed, an inflow of specie had the unique power of promoting prosperity, and, moreover, an inflow of specie benefited every interest group in the nation.

Authors who represented contending interests in other ways could almost always agree on the advantages which would stem from a favorable balance of trade. This faith in the power of a favorable balance of trade was generally not based on the identification of only gold and silver as "wealth." Most authors in the period between 1665 and 1776 regarded horses, land, cattle, furniture, and other durable goods as "wealth," while consumer goods such as food, wine, and

clothing were considered evanescent. Goods constituted wealth, in short, if they were durable and useful, and gold and silver were the pinnacles of wealth because they were infinitely durable and completely useful in exchange for any other good needed. Perhaps the reason for the confidence of so many authors in the efficacy of a favorable balance of trade was that the question was almost never analyzed. After having surveyed several hundred books from this period, the author of this dissertation has the impression that the standard practice was to assert in the preface or on page one that the nation would wax or wane according to the balance of trade and then to move on to measures to promote the balance of trade and to address whatever other topics were at hand. Over a period of time, the doctrine took on an almost unassailable power simply because of its continuing repetition.

A second doctrine of mercantilism was that trade was a zero sum game: the trade of the world was fixed, and any gain by England would have to come at the expense of England's rivals.<sup>303</sup> As Josiah Child phrased the idea, "all trade [is] a kind of warfare."<sup>304</sup> A third doctrine was that the government had to channel individual action toward the public interest. Private economic interest, it was believed, inherently tended to be against the public interest, and government regulation was required to counteract this tendency.<sup>305</sup>

Comparing this definition--that is, the three doctrines of mercantilism--to the sample of authors described above is an easy matter. Most of them felt compelled to assert the need for a favorable balance of trade on the first pages of their books.

Usually, their statements expressing the second and third doctrines of mercantilism followed shortly thereafter. Only seven authors had any inkling that domestic trade could aid prosperity, that foreign trade could offer any advantage beyond acquiring specie, or that individual interest had a tendency to promote public prosperity.<sup>306</sup> Each of these seven was a high wage advocate. On the other hand, many high wage advocates were as thorough-going mercantilists as Joshua Gee: Harris, Davenant, Cary, Braddon, Policy, Powell, Mortimer, and Moore were at the same time high wage advocates and mercantilists. Perhaps the independence required to be a free trader in this period also disposed authors toward the high wage position, but, even if an author wanted a favorable balance of trade, such a goal was compatible with the high wage position.

To summarize this essay, three observations can be made. First, from Petty to Smith, the universal concern was centered on the issue of how to promote growth. A favorable balance of trade was desirable because it promoted growth. Second, everyone understood that more growth required more labor effort, and there was a near unanimity on the need for greater effort. Third, how laborers responded to changes in the rate of wages was a matter of great concern, and the best economic minds worked on this question throughout the period from 1665 to 1776.



FOOTNOTES: SHORT RUN LABOR SUPPLY

IN PRE-CLASSICAL ECONOMICS

<sup>1</sup>William Petty, Political Arithmatick, in The Economic Writings of Sir William Petty, ed. Charles Henry Hull (New York: Augustus M. Kelley, rep. 1963), p. 248. Political Arithmatick was first published in 1676. The Economic Writings . . . was first published in 1899.

<sup>2</sup>William Petty, A Treatise of Taxes and Contributions, in The Economic Writings, pp. 25, 59, 95; Petty, Political Arithmatick, pp. 248, 261-67. A Treatise of Taxes . . . was first published in 1662.

<sup>3</sup>William Petty, A Treatise of Ireland, in The Economic Writings, p. 563; Petty, Political Arithmatick, pp. 301-2. A Treatise . . . was first published in 1687.

<sup>4</sup>Petty, A Treatise of Taxes, p. 63.

<sup>5</sup>*Ibid.*, pp. 68-69.

<sup>6</sup>*Ibid.*, pp. 20, 52, 55, 87.

<sup>7</sup>*Ibid.*, p. 87; Petty, Political Arithmatick, p. 119.

<sup>8</sup>The phrase "the poor" usually referred to the set of people who had to work for a living and their dependents. Charles Wilson (p. 17) described the usage of the phrase.

<sup>9</sup>Petty, Political Arithmatick, p. 274.

<sup>10</sup>William Petty, Verbum Sapienti in The Economic Writings, pp. 201-2. Verbum Sapienti was first published in 1664.

<sup>11</sup>*Ibid.*, p. 192.

<sup>12</sup>Thomas Manley, Usury at Six Percent Examined (London, 1669); William Letwin observed that John Locke, sometime prior to 1674, made a detailed set of notes on Manley's tract and that Locke may have learned some of his views on interest from Manley. William Letwin, The Origins of Scientific Economics (Garden City, N.Y.: Doubleday & Company, 1964), p. 228.

<sup>13</sup>"Notes of Lord's Committee on the Decay of Rents and Trade" in Seventeenth-Century Economic Documents, ed. Joan Thirsk and J. P. Cooper (Oxford: The Clarendon Press, rep. 1972). The "Notes . . ." was first published in 1669.

<sup>14</sup>Manley, p. B1 (preface).

<sup>15</sup>Ibid., p. 25.

<sup>16</sup>Ibid., p. A4 (preface).

<sup>17</sup>Ibid., p. B9 (preface).

<sup>18</sup>Ibid., p. 9.

<sup>19</sup>Ibid., pp. 18-19.

<sup>20</sup>Ibid., p. 19.

<sup>21</sup>Ibid., p. 20.

<sup>22</sup>Sir Thomas Culpeper, Jr., The Necessity of Abating Usury Re-asserted in Reply to the Discourse of Mr. Thomas Manley Entitled Usury at Six Percent Examined, etc. (London, 1670), p. 27.

<sup>23</sup>Ibid., p. 28.

<sup>24</sup>Ibid., p. 29.

<sup>25</sup>Josiah Child, Brief Observations Concerning Trade and the Interest of Money in Sir Josiah Child, Selected Works: 1668-1697 (London: Gregg Press, 1968), p. 12. Brief Observations . . . was first published in 1668. Letwin (p. 249) identified 1665 as the date of composition.

<sup>26</sup>Josiah Child, A New Discourse of Trade, preface contained in Selected Works. A New Discourse . . . was written in 1693. The preface was written in 1669.

<sup>27</sup>"Notes to the Lord's Committee," pp. 70, 72.

<sup>28</sup>Ibid., p. 73.

<sup>29</sup>Child, A New Discourse . . ., p. 56.

<sup>30</sup>Ibid., p. 75.

<sup>31</sup>Roger Coke, A Treatise Wherein is Demonstrated, That the Church and State of England are in Equal Danger with the Trade of it (London, 1671), p. 3.

<sup>32</sup>Ibid., p. 69.

<sup>33</sup>Coke, A Discourse of Trade, p. 9.

<sup>34</sup>Ibid., p. 15.

<sup>35</sup>Coke, A Treatise, p. 5.

<sup>36</sup>Roger Coke, England's Improvements (London, 1675), p. 20.

<sup>37</sup>Temple, Observations Upon the United Provinces . . . , An Essay Upon the Advancement of Trade in Ireland in The Works of Sir William Temple, 4 vols. (London, 1770). An Essay . . . was first published in 1673.

<sup>38</sup>Furniss, The Position, p. 102.

<sup>39</sup>Temple, Observations Upon the United Provinces . . . , p. 129; a similar passage occurs in An Essay . . . in The Works, 3:6.

<sup>40</sup>Sheridan, A Discourse, p. 185.

<sup>41</sup>Ibid., p. 152.

<sup>42</sup>Ibid., p. 175.

<sup>43</sup>John Houghton, A Collection of Letters, in Vol. 4 of his Husbandry and Trade Improved: 1681-1683, as quoted in Furniss, The Position, p. 121. The only copy of this work in the United States is in the U.S. Department of Agriculture Library.

<sup>44</sup>Houghton quoted in Furniss, The Position, p. 135.

<sup>45</sup>Richard Dunning, A Plain and Easie Method; Shewing How the Office of the Overseer of the Poor may be Managed . . . (London, 1686).

<sup>46</sup>The Use and Abuses of Money and the Improvements of it, by Two Propositions for Regulating our Coin (London, 1671), p. 25.

<sup>47</sup>The Grand Concern of England Explained in Several Proposals Offered to the Consideration of Parliament 1. For Payment of Publick Debts 2. For Advancement and Encouragement of Trade 3. For raising the Rents of Land (London, 1673), p. 54.

<sup>48</sup>Letwin, p. 294n.

<sup>49</sup>Sir Dudley North, Discourses Upon Trade Principally Directed to the Interest, Coynage, Clipping and Increase of Money, ed. Jacob Hollander (Baltimore: John Hopkins Press, 1907), p. 27. Discourses . . . was first published in 1691.

<sup>50</sup>Francis Elizabeth Baldwin, Sumptuary Legislation and Personal Regulation in England, Johns Hopkins University Studies in Historical and Political Science, vol. 44 (Baltimore: Johns Hopkins Press, 1929), p. 273.

<sup>51</sup>Ibid., p. 263.

<sup>52</sup>Ibid., p. 46.

<sup>53</sup>Roger North, A Discourse of the Poor: Shewing the Pernicious Tendency of the Laws Now in Force for Their Maintenance and Settlement: Containing Likewise some Considerations Relating to National Improvement in General (London, 1753), p. 61. This book was published posthumously.

<sup>54</sup>Ibid., p. 7.

<sup>55</sup>Ibid., p. 50.

<sup>56</sup>Ibid., p. 22.

<sup>57</sup>Sir Walter Harris, Remarks on the Affairs and Trade of England and Ireland (London, 1691), p. 20.

<sup>58</sup>Ibid., p. 26.

<sup>59</sup>Ibid., pp. 21, 54.

<sup>60</sup>Ibid., p. 53.

<sup>61</sup>Charles Davenant, An Essay Upon the Ways and Means of Supplying the War; An Essay on the East India Trade; Discourses on the Public Revenues and the Trade of England; and An Essay Upon the Probable Methods of Making a People Gainers in the Balance of Trade, in The Political and Commercial Works of that Celebrated Writer Charles D'avenant LL.D. Relating to the Trade and Revenue of England, the Plantation Trade, the East India Trade, and African Trade, 5 vols., ed. Charles Whitworth (London: Gregg Press, rep. 1967). The dates of the first editions of the above books are respectively 1691, 1696, 1698, 1699, 1771.

<sup>62</sup>Davenant, An Essay Upon the Ways and Means . . ., in Works, 1:64.

<sup>63</sup>Ibid., p. 73.

<sup>64</sup>Ibid.

<sup>65</sup>Ibid., p. 74.

<sup>66</sup>Davenant, Discourses on the Public Revenues . . ., in Works, 1:239.

<sup>67</sup>*Ibid.*, pp. 268, 272.

<sup>68</sup>*Ibid.*, p. 271.

<sup>69</sup>*Ibid.*, p. 360.

<sup>70</sup>*Ibid.*, p. 390.

<sup>71</sup>*Ibid.*, p. 391.

<sup>72</sup>Davenant, An Essay Upon the Probable Methods . . ., in Works, 2:196.

<sup>73</sup>*Ibid.*, pp. 200, 267.

<sup>74</sup>*Ibid.*, pp. 204-13.

<sup>75</sup>*Ibid.*, p. 204.

<sup>76</sup>John Cary, An Essay on the State of England in Relation to its Trade, its Poor and its Taxes for Carrying the Present War Against France (Bristol, 1695); An Account of the Proceedings of the Corporation of Bristol (Bristol, 1700); An Essay Towards Regulating Trade and Employing the Poor of this Kingdom (London, 1717).

<sup>77</sup>Cary, An Essay on the State of England . . ., p. 173.

<sup>78</sup>*Ibid.*, p. 144.

<sup>79</sup>Wiles, p. 123.

<sup>80</sup>Cary, An Essay Towards Regulating Trade . . ., p. 104.

<sup>81</sup>*Ibid.*, p. 107.

<sup>82</sup>Baldwin, p. 10; Joseph Jean Hecht, The Domestic Servant Class in Eighteenth-Century England (London: Routledge and Kegan Paul, 1956), pp. 119-20, 135.

<sup>83</sup>Henry Pollexfen, A Discourse of Trade and Coyn (London, 1700), p. 45.

<sup>84</sup>*Ibid.*, p. 51.

<sup>85</sup>*Ibid.*, p. 44.

<sup>86</sup>*Ibid.*, p. 46.

<sup>87</sup>Ibid., p. 47.

<sup>88</sup>Daniel Defoe, Giving Alms, No Charity, ed. W. E. Minchinton (Yorkshire, England: S. R. Publishers, rep. 1970), p. 27. The first edition was published in 1704.

<sup>89</sup>Ibid., p. 23.

<sup>90</sup>General Maxims in Trade Particularly Applied to the Commerce Between Great Britain and France (London, 1713), p. 10. This work was published anonymously.

<sup>91</sup>Wiles, p. 124.

<sup>92</sup>Daniel Defoe, Mercator: or Commerce Retrieved, No. 143 (April, 1714).

<sup>93</sup>Daniel Defoe, The Complete English Tradesman, 2 vols. (New York: Augustus M. Kelley, rep. 1969), 2:140. The first edition was published in 1726.

<sup>94</sup>Ibid., p. 145.

<sup>95</sup>Ibid., p. 143.

<sup>96</sup>Daniel Defoe, A Plan of the English Commerce (Oxford: Basil Blackwell, rep. 1929), p. 50. The first edition was published in 1728.

<sup>97</sup>Ibid., p. 24.

<sup>98</sup>See Henry William Spiegel, The Growth of Economic Thought (Englewood Cliffs, N.J.: Prentice-Hall, 1971), p. 175.

<sup>99</sup>John Law, Proposals and Reasons for Constituting a Council of Trade in Scotland (Glasgow, 1751), p. 85. The first edition was published in 1700.

<sup>100</sup>Ibid., p. 73.

<sup>101</sup>Ibid., p. 75. Law is the only author among those reviewed in this dissertation who argued that the labor supply function had an elasticity of less than minus one.

<sup>102</sup>Ibid., p. 79.

<sup>103</sup>Ibid., p. 241.

<sup>104</sup>Ibid., p. 243.

<sup>105</sup>John Law, Money and Trade Considered with a Proposal for Supplying the Nation With Money (London, 1720), p. 11. The first edition was published in 1705.

<sup>106</sup>*Ibid.*, p. 90.

<sup>107</sup>Bernard Mandeville, The Fable of the Bees: or Private Vices, Publick Benefits, with a commentary critical, historical and explanatory by F. B. Kaye, 2 vols. (Oxford: The Clarendon Press, 1924), 1:183. The first edition was published in 1714.

<sup>108</sup>*Ibid.*, p. 192.

<sup>109</sup>*Ibid.*, p. 193.

<sup>110</sup>*Ibid.*, p. 64.

<sup>111</sup>*Ibid.*, p. 129.

<sup>112</sup>*Ibid.*, p. 275.

<sup>113</sup>*Ibid.*, p. 194.

<sup>114</sup>*Ibid.*, 2:351.

<sup>115</sup>*Ibid.*, 1:287.

<sup>116</sup>*Ibid.*, p. 289.

<sup>117</sup>*Ibid.*, p. 289.

<sup>118</sup>Lawrence Braddon, To Pay Old-Debts Without New Taxes by Charitably-Relieving, Politically Reforming and Judiciously Employing the Poor (London, 1723), p. xxiii.

<sup>119</sup>Lawrence Braddon, The Miseries of the Poor are a National Sin, Shame and Charge (London, 1717), p. 22.

<sup>120</sup>*Ibid.*, p. 13.

<sup>121</sup>Braddon, To Pay Old-Debts . . ., p. xxx.

<sup>122</sup>Wiles, p. 124.

<sup>123</sup>Lawrence Braddon, Particular Answers to the Most Material Objections Made to the Proposal Humbly Presented to His Majesty for Relieving, Reforming, and Employing All the Poor of Great Britain (London, 1722).

<sup>124</sup>Braddon, The Miseries of the Poor, p. 18.

<sup>125</sup>Berkeley first addressed these problems in his An Essay Towards Preventing the Ruin of Great Britain, in The Works of George Berkeley, 4 vols., ed. Alexander Campbell Fraser (Oxford: The Clarendon Press, 1901), in which he advocated public works projects (4:333), and a workhouse scheme (4:324). An Essay . . . was first published in 1721.

<sup>126</sup>Ian D. S. Ward, "George Berkeley: Precursor of Keynes or Moral Economist on Underdevelopment?" Journal of Political Economy (Feb. 1959); T. W. Hutchinson, "George Berkeley as an Economist--A Comment," Journal of Political Economy (June 1960); Ian D. S. Ward, "Reply," Journal of Political Economy (June 1960).

<sup>127</sup>Ward relied heavily on an address by Berkeley to Roman Catholic clergymen (A Word to the Wise, in Works, Vol. 6); Hutchinson argued that Berkeley dwelt on "laziness" in this speech because he was addressing clergymen and that the economic books by Berkeley show a different emphasis; see Hutchinson, p. 303. A Word to the Wise was first published in 1749.

<sup>128</sup>T. W. Hutchinson, "Berkeley's Querist and its Place in the Economic Thought of the 18th Century," British Journal for the Philosophy of Science (1953): 59.

<sup>129</sup>George Berkeley, The Querist, ed. Jacob Hollander (Baltimore: Johns Hopkins Press, 1910), 1736, Query number 19. The Querist was published in three parts: 1735, 1736, 1737.

<sup>130</sup>Ibid., 1735, Query number 20.

<sup>131</sup>Ibid., 1736, Query number 181.

<sup>132</sup>See, e.g., 1735, Query numbers 12, 62, and 132.

<sup>133</sup>Joshua Gee, The Trade and Navigation of Great Britain Considered, 4th ed. (London, 1738). The Trade . . . was first published in 1729 and seems to be patterned on John Cary's An Essay towards Regulating Trade . . . (1717), especially in discussing the possible gains to be made at the expence of each of England's trading partners.

<sup>134</sup>Ibid., p. 56. The word "manufacturer" sometimes referred to the laborer and sometimes to the factory owner.

<sup>135</sup>Ibid., p. 58.

<sup>136</sup>An argument similar to the one by Pollexfen can be found in The Ancient Trades Decayed, Repaired Again: Wherein Are Declared the Several Abuses that have Utterly Impaired All the Ancient Trades in the Kingdom . . . written by a Country Tradesman (London, 1678), pp. 8, 28. This work was published anonymously.



<sup>137</sup>Richard Cantillon, Essai Sur La Nature Du Commerce en General, ed. and trans. Henry Higgs (New York: Augustus M. Kelley, rep. 1964), pp. 19-27. Essai . . . was first published in 1730.

<sup>138</sup>Jacob Vanderlint, Money Answers All Things, with an Introduction by Jacob Hollander (Baltimore: John Hopkins Press, 1914), p. 100. Money . . . was first published in 1734.

<sup>139</sup>Ibid., p. 32.

<sup>140</sup>Ibid., p. 120.

<sup>141</sup>Ibid., p. 122.

<sup>142</sup>Coats, p. 37.

<sup>143</sup>[Thomas Andrews], "An Essay on Riots: Their Causes and Cure, and a Method of Relief for the Poor Wiltshire Manufacturers," extracted in Gentleman's Magazine 9 (January 1739): 7.

<sup>144</sup>[William Temple], The Case as it now Stands, Between the Clothiers, Weavers, and Other Manufacturers with Regard to the Late Riot, in the County of Wilts. Containing, Remarks on a Libel, Entitled an Essay on Riots, Printed in the Gloucester Journal, December 19, 1738, Some Observations on the Prices of Labour, in the Woolen Manufacture and Husbandry; Considerations and Reflections on the Act for Maintaining the Poor . . . Proofs of the Necessity of Reducing the Price of Labour in our Manufactures in Order to Keep and Extend our Foreign Trade by Philatethes extracted in Gentleman's Magazine 9 (January 1739): 234.

<sup>145</sup>Ibid., p. 235.

<sup>146</sup>Ibid., p. 233.

<sup>147</sup>William Temple, A Vindication of Commerce and the Arts, in A Select Collection of Scarce and Valuable Tracts on Commerce, ed. J. R. McCulloch (New York: Augustus M. Kelley, rep. 1966), p. 21. A Vindication . . . was first published in 1756 and first reprinted in A Select . . . in 1859.

<sup>148</sup>Ibid., p. 18.

<sup>149</sup>Ibid., p. 35.

<sup>150</sup>Ibid., p. 35.

<sup>151</sup>Ibid., p. 54.

<sup>152</sup>Some Thoughts on the Interest of Money in General and Particularly in the Publick Funds with Reasons for Fixing the Same at the Lower Rate, in Both Instances, with Regard Especially to the Landholders (London, 1728), p. 35. This work was published anonymously.

<sup>153</sup>Ibid., p. 47.

<sup>154</sup>Ibid., p. 73.

<sup>155</sup>Ibid., p. 99.

<sup>156</sup>Ibid., p. 110.

<sup>157</sup>Ibid., p. 104.

<sup>158</sup>Furniss, The Position, p. 125.

<sup>159</sup>The phrase is from Hecksher (2:166) in reference to Mandeville.

<sup>160</sup>Josiah Tucker, Six Sermons on Important Subjects (Bristol, 1772), pp. 70-71.

<sup>161</sup>Ibid., pp. 88-89.

<sup>162</sup>Josiah Tucker, A Brief Essay on the Advantages and Disadvantages Which Respectively Attend France and Great Britain with Regard to Trade, reprinted in John R. McCulloch, A Select Collection . . ., pp. 15, 27, 31. A Brief Essay . . . was first published in 1750. The third edition published in 1753 was quoted.

<sup>163</sup>Ibid., p. 70.

<sup>164</sup>Ibid., p. 15.

<sup>165</sup>Ibid., p. 44.

<sup>166</sup>Ibid., p. 44n.

<sup>167</sup>Josiah Tucker, Reflections on the Expediency of a Law for the Naturalization of Foreign Protestants, 2 vols. (London, 1751-52), 2:12, 40.

<sup>168</sup>Ibid., 2:11.

<sup>169</sup>Ibid., p. 43.

<sup>170</sup>Josiah Tucker, The Elements of Commerce, in Josiah Tucker, A Selection from His Economic and Political Writings with an Introduction by Robert Livingston Schuyler (New York: Columbia University Press, 1931). This 1931 version does not contain Tucker's notes or corrections. The first edition of The Elements... was printed in 1755.

<sup>171</sup>Ibid., p. 63.

<sup>172</sup>Ibid., p. 71.

<sup>173</sup>Ibid., p. 82.

<sup>174</sup>Josiah Tucker, "The Elements of Commerce and Theory of Taxes" (New York Public Library), p. 174. The words in place of "or that" are illegible.

<sup>175</sup>The letters are reprinted in David Hume, Writings on Economics, ed. Eugene Rotwein (Madison: University of Wisconsin Press, 1955), pp. 199-200.

<sup>176</sup>Josiah Tucker, Four Tracts on Political and Commercial Subjects, 2nd ed. (Gloucester, 1774), from the title of tract one. This book summarizes Tucker's view of the exchange with Hume.

<sup>177</sup>Ibid., pp. 31, 33.

<sup>178</sup>Ibid., p. 30.

<sup>179</sup>Ibid., p. 32.

<sup>180</sup>Tucker, A Brief Essay, p. 31.

<sup>181</sup>Wiles, pp. 125-126.

<sup>182</sup>Tucker, A Selection, p. 63.

<sup>183</sup>Tucker, Four Tracts, p. 33.

<sup>184</sup>Bretano, p. 46.

<sup>185</sup>Henry Fielding, An Enquiry into the Causes of the Late Increase in Robbers, etc. with Some Proposals for Remedying This Growing Evil in which the Present Reigning Vices are Impartially Exposed; and the Laws that Relate to the Provision of the Poor, and to the Punishment of Felons are Largely and Freely Examined, 2nd ed. (London, 1751), p. 69.

<sup>186</sup>Ibid., p. 90.

<sup>187</sup>Ibid., pp. 6-7.

<sup>188</sup>Ibid., p. 17.

<sup>189</sup>Ibid., p. 18.

<sup>190</sup>Ibid., p. 70.

<sup>191</sup>Hume, Writings on Economics (see footnote 175 above).

<sup>192</sup>Ibid., p. 37.

<sup>193</sup>Ibid., p. 38.

<sup>194</sup>Ibid., p. 209.

<sup>195</sup>Ibid., p. 85.

<sup>196</sup>Ibid., p. 15.

<sup>197</sup>Ibid., pp. 15-16.

<sup>198</sup>Considerations on the Fatal Effects to a Trading Nation of the Present Excess of Public Charities in which the Magdalene, Asylum, Foundling, Hospitals for the Sick and Lame, Lying in Hospitals, Charity Schools, and the Dissenting Fund are Particularly Considered and a Plan for a New System of Poor Laws Proposed (London, 1763). This work was published anonymously.

<sup>199</sup>Temple, "The Case as it Now Stands . . .," p. 233.

<sup>200</sup>Fatal, pp. 4-5.

<sup>201</sup>Ibid., p. 8.

<sup>202</sup>Ibid., p. 2.

<sup>203</sup>Ibid., p. 21.

<sup>204</sup>Ibid., p. 24.

<sup>205</sup>Ibid., p. 27.

<sup>206</sup>Considerations on Taxes as They are Supposed to Affect the Price of Labour in our Manufacturies: Also--Some Reflections on the General Behavior and Disposition of the Manufacturing Populace of this Kingdom; Shewing by Arguments Drawn from Experience, that Nothing but Necessity will Enforce Labour; and that No State Ever Did, or Ever Can, Make any Considerable Figure in Trade, Where the Necessaries of Life are at a Low Price (London, 1765), p. 6. This work was published anonymously.

<sup>207</sup> Ibid., p. 23; and by the same author, An Essay on Trade and Commerce Containing Observations on Taxes as They are Supposed to Affect the Price of Labour in our Manufactories (London, 1770), p. 61.

<sup>208</sup> Taxes, An Essay . . ., p. 82.

<sup>209</sup> Taxes, Considerations . . ., p. 24.

<sup>210</sup> Taxes, An Essay . . ., p. 36.

<sup>211</sup> Taxes, Considerations . . ., p. 53.

<sup>212</sup> Taxes, An Essay . . ., p. 44.

<sup>213</sup> Taxes, Considerations . . ., p. 24.

<sup>214</sup> Taxes, An Essay . . ., p. 2.

<sup>215</sup> Ibid., p. 29.

<sup>216</sup> Taxes, Considerations . . ., pp. 15, 53.

<sup>217</sup> Taxes, An Essay . . ., p. 94.

<sup>218</sup> Ibid., p. 20.

<sup>219</sup> Ibid., p. 24.

<sup>220</sup> Ibid., p. 260.

<sup>221</sup> Malachy Postlethwayt, as quoted by Marx, 1:280.

<sup>222</sup> Taxes, p. 54.

<sup>223</sup> Ibid., p. x.

<sup>224</sup> Ibid., p. 242.

<sup>225</sup> Ibid., p. 47.

<sup>226</sup> Ibid., p. 38.

<sup>227</sup> Ibid., p. 45.

<sup>228</sup> Ibid., p. 56.

<sup>229</sup> An exception might be Robert V. Eagly who wrote an article on Steuart's views on luxury goods and the supply of labor; see "Sir James Steuart and the 'Aspiration Effect'," Economica (1961).

<sup>230</sup>These stages are described in S. R. Sen, The Economics of Sir James Steuart (Cambridge, Mass.: Harvard University Press, 1957), p. 76; and H. Grossman, "The Evolutionist Revolt against Classical Political Economy," Journal of Political Economy (1943); and in Sir James Steuart, Sir James Steuart--An Inquiry into the Principles of Political Economy, ed. Andrew S. Skinner (Chicago: University of Chicago Press, 1966), p. lxiii. Sir James Steuart--An Inquiry... was first published in 1767.

<sup>231</sup>Steuart, p. 41.

<sup>232</sup>Ibid., p. 46.

<sup>233</sup>Ibid.

<sup>234</sup>Ibid., p. 51.

<sup>235</sup>Ibid., p. 302.

<sup>236</sup>Ibid., p. 188.

<sup>237</sup>Ibid., p. 255.

<sup>238</sup>Ibid., p. 306.

<sup>239</sup>Ibid., p. 251.

<sup>240</sup>Ibid., pp. 86, 251.

<sup>241</sup>Ibid., p. 272.

<sup>242</sup>The process of "consolidation" is described in Ibid., pp. 192, 239, 236.

<sup>243</sup>Ibid., p. 684.

<sup>244</sup>Ibid., p. 270.

<sup>245</sup>Ibid., p. xlv.

<sup>246</sup>Ibid., p. 692.

<sup>247</sup>Ibid., pp. 737-38.

<sup>248</sup>Ibid., p. 738.

<sup>249</sup>Ibid.

<sup>250</sup>Arthur Young, A Farmer's Letters to the People of England (London, 1767), p. 27. Young cites Taxes on p. 29.

<sup>251</sup>Arthur Young, A Farmer's Tour through the East of England (London, 1771), p. 361.

<sup>252</sup>Arthur Young, A Six Weeks Tour through the Southern Counties of England and Wales, 2nd ed. (London, 1769), pp. 330, 332.

<sup>253</sup>Nathaniel Forster, An Enquiry into the Present High Price of Provisions (Oxford, 1767).

<sup>254</sup>Ibid., p. 55.

<sup>255</sup>Ibid., p. 58.

<sup>256</sup>Ibid., p. 59.

<sup>257</sup>Ibid., pp. 36, 40, 62.

<sup>258</sup>Ibid., p. 12.

<sup>259</sup>Ibid., p. 63.

<sup>260</sup>Considerations on the Policy, Commerce and Circumstances of the Kingdom (London, 1771), p. 297; Young replied in his Eastern Tour suggesting that Policy's data on wages were so far below the real figures that Policy must have recently arrived from the moon and further that "it would be no easy matter to find a page in Considerations on the Policy etc. that did not contain a falsehood or an absurdity" (pp. 314 and 346 respectively).

<sup>261</sup>Ibid., p. 49.

<sup>262</sup>Ibid., p. 37.

<sup>263</sup>Ibid., p. 49.

<sup>264</sup>Ibid., p. 174.

<sup>265</sup>John Powell, A View of Real Grievances with Remedies Proposed for Redressing them Humbly Submitted to the Consideration of the Legislature (London, 1772), p. 281.

<sup>266</sup>Ibid., p. 280.

<sup>267</sup>Ibid., p. 283.

<sup>268</sup>Ibid., p. 203.

<sup>269</sup>Ibid., p. 226.

<sup>270</sup>Ibid., p. 270.

<sup>271</sup>Ibid., p. 282.

<sup>272</sup>Ibid., p. 270.

<sup>273</sup>Ibid., p. 280.

<sup>274</sup>Thomas Mortimer, The Elements of Commerce, Politics and Finances, 2nd ed. (London, 1780), pp. 90-91. The first edition was published in 1772.

<sup>275</sup>Francis Moore, Considerations on the Exorbitant Price of Provisions (London, 1773), pp. 5, 68.

<sup>276</sup>Ibid., p. 23.

<sup>277</sup>Ibid., p. 69.

<sup>278</sup>Adam Smith, The Theory of Moral Sentiments (Philadelphia: Anthony Finley, 1817), p. 77. This was the first American edition from the 12th Edinburgh edition. The Theory . . . was first published in 1759.

<sup>279</sup>Ibid., p. 291.

<sup>280</sup>Ibid., p. 295.

<sup>281</sup>Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, 2 vols., ed. Edwin Cannan (New York: G. P. Putnam and Sons, London: Methuen and Company, 1904), 1: pp. 324-25. A similar idea is expressed in one of the books in Adam Smith's library that may have influenced Smith. ". . . there remains . . . one other difference between us and the rest of our fellow creatures. a certain restlessness of mind and thought, which seems universally and inseparably annexed to our very natures and constitutions; [we seem to be] unsatisfied with what we are, or what we at present possess and enjoy . . ." Sir William Temple, Works, 'Of Popular Discontents,' 3:35. Wealth of Nations was first published in 1776.

<sup>282</sup>Smith refers to these added passages in a letter reprinted in William Robert Scott, Adam Smith as Student and Professor (Glasgow: Jackson, Son and Company, 1937), p. 309.

<sup>283</sup>Adam Smith, The Theory of Moral Sentiments, p. 343; a description of Smith's views on luxury similar to the above discussion can be found in Glenn R. Morrow, The Ethical and Economic Theories of Adam Smith (New York: Longmans, Green & Co., 1923).

<sup>284</sup>A new set of notes has been uncovered in the past year which are much more detailed than the set discovered in the 1890's. The new notes will be published in 1977, and they may help resolve this puzzle.



<sup>285</sup>Adam Smith, Lectures on Justice, Police, Revenue and Arms, ed. Edwin Cannan (New York: Augustus M. Kelley, repr. 1964), p. 257. The lectures were given in approximately 1763 and published in Oxford by the Clarendon Press in 1896.

<sup>286</sup>Smith, The Wealth of Nations, p. xlix.

<sup>287</sup>Examples of Hutcheson's low wage views can be found in Francis Hutcheson, A System of Moral Philosophy (New York: Augustus M. Kelley, rep. 1968), 2:318-19. A System . . . was first published in London in 1755.

<sup>288</sup>Samuel Hollander, The Economics of Adam Smith (Toronto: University of Toronto Press, 1973), p. 163; Lujo Bretano excogitated a similar change in the English labor force; see above, p. 7.

<sup>289</sup>*Ibid.*, pp. 65, 163, 243.

<sup>290</sup>*Ibid.*, pp. 25, 249.

<sup>291</sup>M. Messance, Recherches sur la population des generalites d'Auvergne, de Lyon, de Rouen et de quelques provinces et villes du royaume, avec des reflexions sur la valeur du bled tant en France qu'en Angleterre depuis 1674, jusqu'en 1764 (Paris, 1766); the relevant passages from Messance are translated and reprinted in Bretano, pp. 76-87.

<sup>292</sup>Smith, The Wealth of Nations, 1:433; see Considerations on Taxes, where it is argued that the high excise taxes are the cause of Dutch prosperity (p. 23).

<sup>293</sup>Smith denied that high wages would cause a decline in foreign trade. See "an Early Draft of Part of the Wealth of Nations" in Scott, p. 332; Smith, The Wealth of Nations, 2:98-113.

<sup>294</sup>The letter is reprinted in John Rae, Life of Adam Smith (London, 1895), pp. 253-54.

<sup>295</sup>Smith, The Wealth of Nations, 1:79.

<sup>296</sup>*Ibid.*, 2:100.

<sup>297</sup>*Ibid.*, 1:81.

<sup>298</sup>*Ibid.*, p. 82.

<sup>299</sup>The list of books in Adam Smith's library is in James Bonar, A Catalogue of the Library of Adam Smith, 2nd ed. (London: Macmillan Co., 1932); and Hiroshi Mizuta, Adam Smith's Library: A Supplement to Bonar's Catalogue (Cambridge: Cambridge University Press, 1967).

<sup>300</sup>For example: "in all business, where the labourer in three days can earn money enough to maintain himself the other three in idleness, that business wants more hands," in William Horsley, The Universal Merchant (London, 1753), p. xviii; ". . . when provisions are cheap, they won't work above half the week, but sit or idle away half their time," [William Richardson], An Essay on the Causes of the Decline of the Foreign Trade, Consequently, of the Value of the Lands of Britain and the Means to Restore Both (Edinburgh, 1756), p. 68; "[if regulation fixed real wages the poor would not] . . . sacrifice anything . . . but the ability of sometimes earning enough in two days to maintain them a week. A sacrifice which would be highly advantageous to them, for such great earnings always lead them to drunkenness and laziness . . ." (Anonymous) Political Essays Concerning the Present State of the British Empire (London, 1772), p. 222; ". . . profuse plenty in manufacturing towns does not produce more labour, but the contrary. It is a fact well known . . . that scarcity, to a certain degree, promotes industry, and that the manufacturer who can subsist on three days work will be idle and drunken the remainder of the week," [John Arbuthnot], An Inquiry into the Connection Between the Present Price of Provisions and the Size of Farms with Remarks on Population as Affected thereby to which are Added Proposals for Preventing Future Scarcity (London, 1773), p. 93.

<sup>301</sup>Hollander, pp. 25, 249; and Max Beer, Early British Economics (London: George Allen & Unwin, 1938), p. 176.

<sup>302</sup>Quoting Jacob Viner, "On the basis of turning the pages of the English mercantilist literature I venture the conclusion that not ten per cent of it was free from the concern, expressed or clearly implied, in the state of the balance of trade and in the means whereby it could be improved." Studies in the Theory of International Trade (London: George Allen & Unwin, 1955), p. 36.

<sup>303</sup>An illustration of this outlook is in Braddon, Particular Answers: "I solemnly declare, I have no prejudice against the Dutch, but wish them to continue a prosperous state--but I sincerely profess, I wish my king and my country (Great Britain I mean) much greater happiness, in all respects, than I desire any neighbouring nation should enjoy--because I know, that if any of our neighbours become more rich and more powerful than ourselves, we shall then enjoy the best constitution in Christendom only during the pleasure of those neighbouring powers--but may Great Britain never hold its happiness under such a precarious tenure" (p. 85).

<sup>304</sup>"Notes on the Lord's Committee . . .," p. 70.

<sup>305</sup>An illustration of this outlook is in Sir William Mildmay, The Laws and Policy of England (1765): "It becomes the ultimate policy of every administration so to regulate the various employments of the people, that the private pursuits of each individual may be subservient to the support and benefit of the whole: for it is not the number of men only, but their good order, like the discipline of an army, that procures strength and power to a kingdom" (p. 10).

<sup>306</sup>The list includes Sir Dudley North, Defoe, Berkeley, Vanderlint, Hume, Forster, and Smith.

### III. AN ESSAY ON SHORT RUN LABOR SUPPLY IN CLASSICAL ECONOMICS

The second essay continues the focus on short run labor supply theory, and, as in the first essay, the role of labor supply theory in each author's system will be discussed, and the development of labor supply theory will be traced, on author-by-author basis. This essay will begin with a discussion of why the classical economists placed less emphasis on short run labor supply than their predecessors and why the low wage doctrine generally disappeared. Then, the transition from the pre-classical to the classical views will be described, and, after a review of the classical literature, the essay will end with a summary and some conclusions.

#### Why the Classical Economists De-Emphasized Short Run Labor Supply

One quotation can illustrate the contrast between views of the economists writing between 1665 and 1776 on labor supply and the views of the classical economists. In this quotation, Robert Torrens responded to a statement Lord Lauderdale had made to the effect that variations in real wages because of good or bad harvests created respectively sharp decreases or increases in the quantity of labor supplied to the market. Torrens replied:

In the above passage, Lord Lauderdale has succeeded in placing, in a clear light, the obvious and incontrovertible principle, that with respect to labour, as well as with

respect to everything else, market prices will occasionally vary from cost price. But this is merely looking on the surface of the question. The prices of the market . . . are always, upon average, determined by the cost of production. Labour, like everything else, has its production, or cost price. When labour fails to obtain this, diminished births, and increased deaths, will speedily cut off the surplus labour which has glutted the market . . . . Lord Lauderdale's statement proves nothing.<sup>1</sup>

What Lauderdale had observed was that variations in the quantity of labor supplied to the market had a great effect on the gross national product. Torrens' answer was that this concern was of trivial interest because real wages would "speedily" be brought back to their average level. All of those economists writing prior to 1776, whether high wage advocates or low wage advocates, would have understood Lauderdale's concern while Torrens' answers, on the other hand, would have mystified them. The time required for "diminished births" to reduce the supply of labor or increased births to increase the supply of labor and bring wages back to their average level might be more than twenty years, and the authors described in the first essay would have failed to understand how the word "speedily" could have been applied to an adjustment which required a generation. Further, most of them would not have believed that there was an automatic response to high or low wages with increased or decreased births. The contrast between Torrens and Lauderdale mirrors the contrast between classical economists and the pre-classical economists, and the changes between them represent some of the most rapid and astonishing shifts in outlook in the history of economic thought.

The cause of the contrast in outlook regarding short run labor was the general adoption by classical authors of three new

propositions. The first proposition was that sexual desires always kept the level of population in every country pressed against the available food. Humanity bred so much more rapidly than the possible increases in the quantity of food that population, they thought, was always bound to be limited by the available subsistence. The second proposition was that England was over-populated. There were more mouths than food, and this redundancy was aggravated by those forms of public relief which encouraged paupers to breed more paupers. The third proposition was that wages were permanently fixed at the level of subsistence because the population would rapidly expand or contract to counteract any temporary increase or decrease in real wages. The word "rapidly" represents a change in the perception of the time horizon of the classical economists as compared to the pre-classical economists. The terms "speedily" and "rapidly" were now being used to refer to events that would take place in twenty years. Although the three propositions are described as being new, some of the pre-classical authors also believed that available food supply ultimately limited population growth.<sup>2</sup> All of the pre-classical economists favored population growth, however, because England was then seen as under-populated. Even those pre-classical authors who saw the supply of food as a barrier to population growth placed this barrier in the distant future.<sup>3</sup>

There are several historical circumstances which help to explain this rapid shift from optimism to pessimism on the question of population growth. One factor was a sharp increase in the rate of population growth due primarily to a decline in the death rate

and secondarily to a higher marriage rate.<sup>4</sup> A recent article suggests that the cause of the population growth was a decline in mortality, especially infant mortality, because the enclosure movement dramatically improved the health of the animal population.<sup>5</sup>

Another factor was that England's agricultural output had not kept pace with the population increase and that England had changed from a grain exporter to a grain importer.<sup>6</sup> A third factor was the widespread adoption, after 1795, of a system of poor relief sometimes called the Speenhamland system. Under this system, able-bodied agricultural laborers were given a supplemental allowance, by the parish, which was based on the prevailing wage rates, the price of bread, and the size of the laborer's family.<sup>7</sup> Such an extension of poor relief to able-bodied laborers drew the attention of the classical economists to the possibility that poor relief was an incentive for population growth. Some historians of economic thought have argued that several political and intellectual factors made the English economists more receptive to the new theory of population.<sup>8</sup> This theory at least served as a buttress against revolutionary ideologies regarding the "perfectibility" of mankind.<sup>9</sup> Although only a thumbnail digression into economic history, this at least mentions some of the factors which may have influenced the shift in outlook regarding population.

#### Under What Topics Was Short Run Labor Supply Discussed

Given the shift in outlook on population, it is easy to see why the classical economists de-emphasized short run labor supply.

If a very rapid mechanism fixed wages at the level of subsistence, the labor supply response to changing real wages could have no practical interest. If the classical economists had strictly adhered to the view that wages were fixed at subsistence, this essay would be complete at this point, but the hypothesis of fixed wages was modified during the classical period.<sup>10</sup> The first modification was that the word "subsistence" came to mean the customary level of life rather than the minimum of physical necessity. Such a change of meaning was unavoidable because the classical economists could not ignore the obvious differences in the standards of living among different countries. In the first essay, there were remarked numerous references to the differences in real wages between English, French, Dutch, Irish, Scottish, Bengali, and Chinese laborers, but, once subsistence wages were regarded as being set by custom, the original theory had to be modified and some new questions had to be asked. For example, one of the mechanisms which led to the rapid adjustment of the labor force to a decrease in real wages was the death by starvation or by diseases aggravated by the lack of food for the redundant laborers. However, in a country with a relatively high customary standard of subsistence, it would be implausible to think that a reduction in real wages which might have forced a change in diet from meat and cheese and bread to potatoes and oatmeal would cause starvation. Some of the classical economists got around this difficulty by transposing customary into physical necessity. Laborers accustomed to meat and cheese and bread, they argued, would die on potatoes and oatmeal. Other classical economists minimized the role of death.



The adjustment mechanism to changes in real wages was entirely a change in the number of births. By eliminating death as an adjustment, what might have been a rapid process now took a generation for both decreases and increases in real wages. The effect of this modification was to allow a greater scope for the short run labor supply response of the existing labor force.

One new question raised by the introduction of a customary subsistence is how the level of customary subsistence is determined and how it is changed over time? On this question, the classical economists made the greatest use of short run labor supply. The short run response to a decrease or an increase in wages was thought to determine the long run population response. For example, for an increase in real wages, if the short run labor supply response caused an increase in real income rather than solely an increase in leisure, laborers might grow accustomed to the new higher standard of living and might restrict the number of births in order to maintain this new standard: the more forward-sloping the short run labor supply function, the greater became the increase in real incomes for a given increase in real wages, and the greater the increase in real wages, the more likely it became that laborers would notice and want to retain their improved position in the long run. A similar process could take place for a decrease in real wages. The classical economists worked out these possibilities and attempted to determine what caused a given short run labor supply response.

The heterodox classical economists (economists who denied Say's law) added a second topic under which the short run supply of

labor was discussed. Malthus and Sismondi argued that at least a part of the cause of gluts was that the short run supply of labor was strongly backward-sloping. The orthodox economists (economists who accepted Say's law) disagreed with this argument, and the "gluts" controversy was the focus of a second discussion of short run labor supply.

How the Utilitarian Viewpoint Changed Economic  
Policy Regarding Labor Supply

One other change in outlook between some pre-classical authors and the classical economists caused a difference in the treatment of labor supply questions. To some pre-classical authors like Mandeville and Taxes, the goal of public policy was to preserve the distinctions of rank in society and to obtain a maximum of work from laborers in order to support the leisure class. None of the classical economists shared this outlook. While most of the classical economists were not doctrinaire Benthamites, they were all utilitarians in the sense that they believed that the goal of public policy was the greatest good for the greatest number. This shift in outlook by the classical economists paralleled a general trend towards the utilitarian outlook in English public opinion.<sup>11</sup>

One of the conclusions of the first essay was that high wage authors felt compelled to answer the low wage arguments of authors like Tucker, Fatal, Taxes, and Young. With the disappearance of those low wage arguments, there was less a need to discuss the problem of labor supply, and the subject of the labor supply function

lost the emotional and political overtones it had carried in the earlier period.

These generalizations about the new outlook on population, the modification of the view of subsistence to regard it as determined by custom, the relationship between short run and long run labor supply, the use of short run labor supply theory in the gluts controversy, and the universal adoption of the utilitarian outlook will be detailed and specified in the subsequent review of the literature.

#### The Transition Towards Classicism

##### James Anderson and Samuel Crumpe

Adam Smith bequeathed the classical economists a model for economic growth--part of which was a view that human nature desired to improve its condition, that laborers would, thus, seek every opportunity for greater earnings, and that this restless desire promoted economic growth. To facilitate this human desire, the high wage program favored lowering food prices by the elimination of bounties and tariffs and by the extension of cultivation, creating small banks and what were called "friendly societies" which would combine the functions of life insurance, pensions, workmen's compensation and health insurance, and educating, elevating, and broadening the tastes and desires of laborers. All of these policies were subsequently adopted by the classical economists but for a different reason than promoting growth and increasing the short run supply of

labor. This program of reform was adopted because it was thought to encourage laborers to limit the size of their families.

This section on the transition towards classicism will explore the ways in which Adam Smith's outlook was shared by some writers and the ways in which the new long run populationist outlook emerged.

Several authors tried to suggest practical programs to promote growth which followed Smith's view on labor. In 1777, James Anderson published a book in which the title reflects that outlook, Observations on the Means of Exciting a Spirit of National Industry . . ..<sup>12</sup> Anderson referred to Taxes as an example of the low wage doctrine--"See Essay on Trade and Commerce . . ., in which this position is maintained with such seeming seriousness"<sup>13</sup>--and was, with this statement, the only author to hint that Taxes might have been a satirist. Most of Anderson's practical measures involved changes in agricultural methods, but he argued that his program would raise real wages and thereby also increase industry.<sup>14</sup>

Samuel Crumpe sought to translate Smith's views into a practical program for the development of Ireland.<sup>15</sup> The thrust of his entire essay was to argue the need for providing high wages and for promoting the desire for luxury goods. As evidence that Crumpe followed Smith closely, it is only necessary to point out that a large part of Crumpe's Essay consists of direct quotations from the Wealth of Nations.

At the same time that some economists were trying to use the high wage ideas in a program for development, however, some of the

historical circumstances described under section II above were causing other economists to shift their views towards what would become the classical outlook.

### John McFarlan

John McFarlan was a low wage advocate who had first-hand experience in administering poor relief.<sup>16</sup> When McFarlan read Smith on the subject of growth, he saw the pessimistic aspect in Smith, referred to Smith's stationary state, and noted his own fear that Great Britain's wealth was near its meridian.<sup>17</sup> This calamity was being hastened, he thought, by the indiscriminate relief of the poor which had become a bottomless pit because, as "more money is raised for the poor, there will be a greater number of poor to apply for it."<sup>18</sup> McFarlan was not explicit on where the new applicants came from, failing, as he did, to distinguish between a greater percentage of the existing labor force applying for relief versus the effect of the poor relief on allowing paupers to have more children. Succeeding authors, however, explicitly adopted the second explanation.

### Joseph Townsend

Joseph Townsend was another low wage author who complained that poor relief multiplied the poor.<sup>19</sup> Townsend thought it was "most perplexing" that the countries which provided the most relief were beset with poverty while in the countries that provided little poor relief one could only "hear the chearful songs of industry and virtue."<sup>20</sup>

Townsend's explanation of this puzzle was based on the observation that laborers acted like animals: "The poor know little of the motives which stimulate the higher ranks to action--pride, honour and ambition. In general, it is only hunger which can spur and goad them to labour."<sup>21</sup> Townsend next pointed out that hunger would regulate the number of children as well as the amount of work. Using the example of animals, he gave a striking illustration of food limiting population on the uninhabited island of Juan Fernandez.<sup>22</sup> Some Spaniards had left a male and female goat so that they could have a supply of fresh meat, but the goats multiplied to the point that they were starving and only when a few of the weakest goats died did the rest have enough food. The goat population, it was observed, fluctuated slightly above and below the number which could subsist on the available grass. The Spaniards discovered that pirates were also using the island as a source of fresh meat and had placed a male and female dog on the island in the hope of eradicating the goat population. Again, there was a natural balance: the dog population was limited by the available goats, and the goat population was limited by the availability of pasture inaccessible to the dogs. Since the poor breed like goats, according to Townsend, poor relief simply created more paupers.

Further, Townsend was the first author to assert that England was over-populated:

The cry is, Population, population! Population at all events! But is there any reasonable fear of depopulation.<sup>23</sup>

Whilst food is to be had, there is no fear of wanting people.<sup>24</sup>

It is a fact, that in England we have more than we can feed, and many more than we can profitably employ under the present system of our laws.<sup>25</sup>

In one sense William Temple was a precursor of Townsend. Although Temple favored increasing population, he had argued, like Townsend, that in an animal-like manner the poor would breed as long as they had subsistence.<sup>26</sup> On the other hand, Townsend had read and cited Smith as a "best authority," but what Smith had to say on labor supply apparently did not convince Townsend.<sup>27</sup>

### Jeremy Bentham

Jeremy Bentham shared Townsend's fear of over-population and, as Townsend's friend and a literary collaborator might have been influenced by him on this question.<sup>28</sup> In 1797, Bentham wrote a proposal for a model poor house which was published in Arthur Young's Annals of Agriculture. In this article, Bentham complained that over-population was driving up the poor rates and suggested that the poor adopt the use of a sponge as a birth control device, akin to the modern diaphragm.<sup>29</sup> In this passage, Bentham says he got the sponge idea from a "reverend friend," and Himes has argued that it was "almost certainly" Reverend Townsend.<sup>30</sup> A number of other passages from Bentham's economic writings can also be cited to show the idea that the poor breed up to the limit of the available resources and that England was over-populated.<sup>31</sup>

Bentham had a long run view of wage determination in which changes in population were an important determinant of the level of wages.<sup>32</sup> Bentham did not have a subsistence theory of wages,

however, because he thought that subsistence, meaning physical necessity, was not definable:

Is it possible to draw a line . . . between what is necessary and what is superfluous? I do not think so. Necessary is a relative term, and it refers to human needs. But needs vary . . . whether a certain article belongs to the class of necessities or of superfluities, depends largely on custom and even opinion. Diogenes threw away his wooden beaker after he had seen a little boy drink from the hollow of his hand. Yet Diogenes himself was convicted of luxury by the Gymnosophists, a sect of sages who made philosophy consist in going naked.<sup>33</sup>

In the sense that he thought "subsistence" depended on custom, Bentham was part of the transition towards the classical view of labor supply, and, at the same time, there are some hints in Bentham of the neo-classical view of labor supply. Bentham regarded work as a pain subject to increasing marginal dis-utility and income as a source of pleasure subject to diminishing marginal utility.<sup>34</sup> Had he put these two considerations together and found that they yielded a determinate amount of labor supply, he would have foreshadowed Jevons and Wicksteed.

Another author who was a friend of Bentham also influenced economists on the issue of over-population.<sup>35</sup> Frederick Morton Eden's massive The State of the Poor was published in 1797, and the entire third volume is filled with parish-by-parish reports of the sharp rise in the number of paupers over the preceding two decades.<sup>36</sup>

### Thomas Malthus

The impact of Malthus' Essay on Population (1798) on contemporary public opinion is covered in the citations by Glass and Bonar.<sup>37</sup> Within a few years, every English economist discussed wages



in terms of the tendency of population to increase up to the limit of subsistence. A review of what Malthus wrote in this first edition will show that his theory facilitated the viewpoint that wages were fixed at subsistence and it will serve as a benchmark to show how Malthus and the other classical economists changed their views on that issue. Malthus began with some postulates about the technical possibilities of increasing the quantity of food and population and about the constancy of the desire for sexual relations with one permanent partner. The technical possibilities for increasing the quantity of food were limited, he thought, because of the scarcity of good land, and he contended that food could increase in an arithmetic ratio and, yet, population in a geometric ratio: for example, if the present yearly output of food equaled 1 unit, every 20 years the quantity could increase in a series 1, 2, 3, 4, 5 . . . , while the technical possibilities for human procreation followed a geometric ratio; for example 1, 2, 4, 8, 16 . . . . Technically, then, population could increase much faster than food. Malthus next assumed that constancy of the desire for sex with one partner would, in the absence of any checks, cause the technically possible maximum growth rate to be the actual growth rate. He alluded to birth control when he criticized Condorcet for suggesting "something . . . unnatural" to "prevent breeding,"<sup>38</sup> and this practice, which would destroy "virtue" and "purity of manners," he rejected out of hand. Since there could not be more people than food to feed them, however, there had to be some checks that kept the extreme tendency for population to increase within the narrow

limits of the technical possibilities for increasing food. The checks would be starvation, diseases aggravated by malnourishment, wars fought over the sources of food, infanticide or refraining from marriage because of the fear of destitution, and this harsh picture of human existence is faithful to the tone of Malthus' Essay:

The view which he [Malthus describing himself] has given of human life has a melancholy hue; but he feels conscious, that he has drawn his tints, from a conviction that they are really in the picture.<sup>39</sup>

Yet in all societies . . . the tendency to a virtuous attachment [marriage] is so strong, that there is a constant effort towards an increase in population. This constant effort as constantly tends to subject the lower classes of the society to distress, and to prevent any great permanent amelioration of their condition.<sup>40</sup>

To remove the wants of the lower classes of society, is indeed an arduous task. The truth is, that the pressure of distress on this part of the community is an evil so deeply seated, that no human ingenuity can reach it . . . palliatives are all that the nature of the case will admit.<sup>41</sup>

In short it is difficult to conceive any check to population, which does not come under the description of some species of misery or vice.<sup>42</sup>

It may be safely asserted, that the vices and moral weakness of mankind taken in the mass, are invincible.<sup>43</sup>

Despite this harsh picture, Malthus allowed some small scope for the "palliatives" which would slightly increase the real wages of the poor. There were slight variations in real income between countries depending on the prevalence of frugality or luxury.<sup>44</sup> If the poor law was removed, real wages could rise slightly.<sup>45</sup> In one passage, after discussing the possibilities that the rich could subsidize the education and try to improve the morals of the poor,

Malthus specified what he meant by the possibility of slight improvements:

Were I to live a thousand years . . . I should little fear . . . a contradiction from experience, in asserting, that no possible sacrifices or exertions of the rich, in a country which had long been inhabited, could for any time place the lower classes . . . in a situation equal with regard to circumstances, to the situation of the common people, about thirty years ago, in the northern States of America.<sup>46</sup>

Malthus hardly held out the prospect of a millenia. In his first edition, Malthus' theory was testable. For instance, if real incomes in any European country rose above those prevailing around 1768 in New England, the theory was refuted.<sup>47</sup>

In later editions Malthus modified his theory to soften the harsh tone, to expand the possibilities of permanent improvement, and to eliminate testable propositions, but two more points can be made in establishing the benchmark of Malthus in 1798. Malthus was a utilitarian in the sense that the goal of public policy should be to promote general prosperity.<sup>48</sup> He also rejected the low wage doctrine that wages should be depressed in order to expand the market for exports.<sup>49</sup> Malthus' religious and utilitarian training forced him to seek some ethical merit, some greater good, out of his melancholy system, and the last forty pages of the Essay were devoted to this search as Malthus argued that God wanted to awaken man's intellect and that God had some sort of evolutionary goal in increasing human understanding.<sup>50</sup> Although Malthus stated that he wanted to devote the entire second half of the Essay to this theme, he lacked the time to expand on it. The law of population served the divine

purpose of awakening man's intellect because over-population caused hunger and hunger, in turn, was "the first great awakener of the mind." Man would be a sort of a vegetable, "inert, sluggish and averse from labour unless compelled by necessity."<sup>51</sup> Given necessity, man seeks out the laws that govern the physical universe in an effort to assure security. This religious outlook colored Malthus' attitude toward leisure and high wages, for he was afraid that if the pressure of population was somehow suspended man's intellectual climb would be reversed and he would return to the level of brutes. Thus, Malthus' fear of leisure and preference for hunger and work had a religious basis.<sup>52</sup> While some of the economists who were his contemporaries noticed this bias, the metaphysical thrust was outside of their concerns.

### Summary

This section on the transition towards classicism has shown that there were some echoes of Smith's liberal policies in Crumpe and Anderson and that Malthus can be placed as part of the movement of the idea that the poor breed up to the limit of subsistence. McFarlan, Townsend, Bentham, and Eden were precursors of Malthus. By 1800, the entire corpus of low wage policy had become absurd. Why try to promote immigration? There were more laborers than the funds to employ them, and, even if any deficiency existed, the growth of population could quickly repair it. Why place excise taxes on the necessities of the poor? Diminished births and increased deaths would rapidly lower the population, and wages would

rise to cover, if only barely, the new taxes. Why use physical compulsion such as workhouses or enforced labor? Remove the crutch of poor relief, and hunger would be a sufficient goad. As Townsend put it:

. . . hunger is not only a peaceable, silent, unremitted pressure, but, as the most natural motive to industry and labour, it calls forth the most powerful exertions.<sup>53</sup>

### The Orthodox Economists

#### David Ricardo

By the year 1815, Malthus' theory of population was almost universally adopted by English economists. David Buchanan asserted that Malthus was the only author "who can be said to have extended the boundaries of political science" since Smith's Wealth of Nations and that Malthus' views are "no longer questioned."<sup>54</sup> Similarly, one of Malthus' later opponents, Simon Gray, in his references to the same period, admitted that Malthus' theory had "triumphed completely in Britain for several years."<sup>55</sup> Malthus considered possible a slight improvement in the circumstances of laborers, but in the hands of some of his less cautious followers this possibility disappeared because customary subsistence was treated as being permanently fixed somewhere near the physiological minimum. James Mill was one of the early proponents of Malthus' theory who modified the new doctrine in this manner. Writing in 1804, Mill asserted:

No proposition is better established than that the multiplication of the human species is always in proportion to the means of subsistence . . . . For the full elucidation of this principle, if anyone is capable of doubting it, we refer to Mr. Malthus's ingenious book on the principle of population.<sup>56</sup>

A previously cited quotation from Torrens is a second example of complete confidence in Malthus' theory of population permanently tying wages to the barest minimum of subsistence.<sup>57</sup>

David Ricardo was strongly influenced by Mill's and Torrens' views on the subject of wages. According to Piero Sraffa, the opening passages regarding the natural price of labor in Ricardo's chapter "On Wages" in his On the Principles of Political Economy and Taxation "appear to be derived from Torrens' Essay on the External Corn Trade, 1815, p. 62."<sup>58</sup> Also according to Sraffa, Ricardo had Mill write the section of the chapter "On Wages" which covered the effect of the poor laws.<sup>59</sup> Ricardo allowed the theoretical possibility that wages could increase and remain indefinitely above the then existing standard of customary subsistence if capital (the demand for labor) could grow faster than the population.<sup>60</sup> The growth of population could be restrained if individuals postponed marriage until they had accumulated savings and achieved an income sufficient to maintain their new families at their accustomed standard. If the standard of customary subsistence was raised, many marriages would be postponed, the rate of population growth would lag behind the rate of growth of capital, and therefore wages would rise. Giving little attention to the question of how the laboring classes adopted a standard of customary subsistence, Ricardo suggested that they "should be stimulated by all legal means" toward a higher standard of "comforts and enjoyments" without mentioning what those means would be.<sup>61</sup>

In practice, Ricardo treated the customary standard of living, or what he termed the natural price of labor, as fixed. The possibility of altering this standard was a "trifling exception."<sup>62</sup> When Ricardo applied his model to a variety of specific problems he also treated wages as fixed with the argument that "the delights of domestic society" are "so great" that "in practice it is invariably found that an increase in population follows the amended condition of the labourer."<sup>63</sup> The following quotations provide more examples:

. . . wages may temporarily rise, and the producers [laborers] may consume more than their accustomed proportion, but the stimulus which will thus be given to population, will speedily reduce labourers to their usual consumption.<sup>64</sup>

It has been one of the objects of this work to shew, that with every fall in the real value of necessaries, the wages of labour would fall . . . .<sup>65</sup>

. . . no point is better established, than that the supply of labourers will always ultimately be in proportion to the means of supporting them.<sup>66</sup>

In a French language edition to Ricardo's Principles, Jean Baptiste Say argued that Ricardo was mistaken in his belief that most laborers' wages were at subsistence and that laborers could neither save nor pay taxes.<sup>67</sup> Ricardo later added a footnote to the offending passage in which he admitted that "Perhaps this is expressed too strongly, as more is generally allotted to the labourer under the name of wages, than the absolutely necessary expenses of production."<sup>68</sup> Some further evidence that Ricardo might later have thought that he had too closely tied wages to subsistence in his Principles can be found in his notes on Malthus' Principles of Political Economy. In Malthus' chapter entitled "Of the causes which principally affect

the habits of the labouring classes" in which he described the circumstances which would cause wages to differ from the level of subsistence,<sup>69</sup> Ricardo wrote in the notes: "I think wages mainly depend on the price of corn. After the observations of Mr. Malthus on the other causes which may affect labour, I must guard myself against being supposed to deny the effect of those other causes on wages."<sup>70</sup> In another section of the notes, Ricardo even criticizes Malthus for tying wages too closely to subsistence:

. . . but population and necessaries are not necessarily linked together so intimately--it is not difficult to conceive that with better education and improved habits, a day's labour may become much more valuable estimated even in what are now called the necessaries of the labourer.<sup>71</sup>

These latter sentiments left a loose thread in the Ricardian system, for, with them, the conditions affecting the level of wages were not "carefully or fully defined."<sup>72</sup> Ricardo's successors had two possible routes they could follow while trying to remain within the general framework of his system: wages could be taken as fixed at subsistence (by population growing or declining rapidly in response to changes in the demand for labor) or wages could be allowed to vary (because population might not keep pace with the growth of capital). The second route required an explanation of the determinants (other than that of the demand for labor) for the rate of population growth. James Mill took the route of wages being fixed at subsistence.<sup>73</sup> According to Mill, "the state of wages which seems to have been contemplated, by Mr. Ricardo, throughout his disquisitions on political economy," was that "wages are already at the lowest point, to which they can be reduced; that is just sufficient to



keep up the number of labourers, and no more."<sup>74</sup> Ricardo's second close disciple, McCulloch, would take the alternate route.

John R. McCulloch, Jean Baptiste Say,  
Robert Torrens, and the Paradox of  
Death Versus Customary Subsistence

Historians of economic thought have judged John R. McCulloch's analytical work as having little merit or originality: Dobb rates him at best as a "fluent (and intelligent) journalist and popularizer," and Schumpeter mentions that McCulloch's "ability, though of a most useful kind, was not of a high order."<sup>75</sup> However, a recent study (and a model of scholarship) of McCulloch's lifetime work, by D. P. O'Brien, comes to the conclusion that "his writings . . . show a wealth of elements and a complexity of analysis for which he has not previously been given credit."<sup>76</sup> Part of O'Brien's claim for unrecognized analytical merit in McCulloch's work is based on McCulloch's views on the determination of the customary level of subsistence, a subject on which he developed "a most interesting analysis."<sup>77</sup> O'Brien contrasts McCulloch's views on subsistence with those of his mentor, Ricardo:

It should be noted that for McCulloch "subsistence" was quite definitely a psychological rather than a physiological level--it is true that such an interpretation can be made of Malthus and Ricardo but the essential point about those writers' view of subsistence is that although they recognized variations in minimum subsistence levels between different countries, the subsistence level was for them something which was more or less fixed for any given country within any given period . . . . But for McCulloch the limit was considerably more indefinite and mobile.<sup>78</sup>

In some respects reading McCulloch is like jumping back sixty years because his objectives and even his style of writing are

reminiscent of high wage advocates like Adam Smith. McCulloch adopted Smith's view of human nature--that each man constantly struggles to improve his condition in order "to increase his consideration among his fellow men,"<sup>79</sup> and McCulloch also shared Smith's view on the effect of high wages:

. . . . wages can never possibly be too high; . . . were the labourer to earn ten shillings a day instead of one, he would be so much the more orderly, industrious, and moral, than he is at present.<sup>80</sup>

We are thoroughly convinced, that high wages are by far the most effectual means of promoting industry.<sup>81</sup>

Another parallel between Smith and McCulloch occurs in their views on excise taxes: Smith could "find no term too severe by which to characterize them,"<sup>82</sup> and excessive taxation was the constant theme of McCulloch's newspaper. McCulloch emphasized that the weight of taxation could erode the customary standard of subsistence:

There is an extreme risk that the opinions of the labouring classes respecting what is necessary for their comfortable subsistence . . . [will] be degraded. When wages are diminished they are obliged to economize; and there is but too much reason to fear, that what has been forced upon them by necessity may become congenial from habit . . . . There is undoubted evidence to show this has been the case in England since 1793 . . . .<sup>83</sup>

It is impossible to conceive a more wretched state of society than that in which the great mass of people is reduced to a dependence on mere necessities. Men placed in such circumstances being cut off from all prospect of rising in the world, sink into a state of indolence and insensibility . . . . They [the laborers] may be contented, but they cannot be industrious. None will submit to privations and labour, but in the hope of securing corresponding comforts.<sup>84</sup>

McCulloch goes on to say that continued heavy taxation would reduce English laborers to such a "wretched state."<sup>85</sup> The dates of the

above citations from McCulloch run from 1813 through 1822, a period of close collaboration between McCulloch and Ricardo. Yet, it is clear from these citations that McCulloch maintained his Smithian perspective from the beginning of his career in spite of Ricardo's influence.

McCulloch tried to interest Ricardo in the question of the determinants for the customary level of subsistence. In one letter, particularly, McCulloch asked Ricardo to consider whether an excise tax on necessities or a tax on wages could affect that standard and, more specifically, how the timing (whether immediately or gradually imposed) and the severity of the tax affected the customary standard of subsistence.<sup>86</sup> Ricardo's reply ignored McCulloch's question, and, although McCulloch tried again and again,<sup>87</sup> Ricardo stuck to the position that the level of subsistence was fixed.

McCulloch's complex ideas on the determination of the level of customary subsistence were developed over a long career, beginning his attention to this problem in the 1818 newspaper articles and continuing it even in the last edition of his Principles in 1864, and his statements on this problem are scattered across a half-dozen other sources. Thus, for the sake of brevity, McCulloch's ideas will be presented without the step-by-step supporting quotations.

McCulloch divided societies into two groups and described different processes of determining customary subsistence for each group. The first group can be called a degraded society, within which the customary level of subsistence is at the physiological minimum.<sup>88</sup> McCulloch argued that degraded societies would have very

low productivity per man hour because laborers, who worked with little effort or ingenuity, could only be motivated to work hard and intelligently if they had some prospect of advancing in security, comfort, and respectability.<sup>89</sup> No such hopes were entertained by laborers in a degraded society, however, because their horizons were limited by their precarious existence. Inasmuch as all laborers only worked enough to gain a fixed sum of wages, the short run labor supply function would have an elasticity of minus one, and any fortuitous increase in real wages (such as an excellent harvest) would only cause a corresponding reduction in the hours of work.<sup>90</sup> Thus, generally, degraded societies would have very low hourly wages and very long weekly hours both because poverty-stricken laborers could not hold out for higher wages and because the character of the labor force made it to the employers' interest to have wage rates as low as possible.<sup>91</sup> McCulloch emphasized the difficulty of moving a degraded society out of the rut in which wages remained at the minimum of physiological existence.<sup>92</sup> Since population could respond very rapidly to increases in the demand for labor, the long run supply curve of labor was perfectly elastic.

The opposite pole was an improving society in which the customary level of subsistence was well above the physiological minimum. In this sort of society, individuals had strong desires for comforts and luxuries and for advancement up the social ladder,<sup>93</sup> and most laborers saved portions of their earnings for their future security while at the same time moral restraint (late marriage) was widely practiced. An improving society was also characterized by high

productivity because the general ambition to succeed stimulated laborers both mentally and physically.

The short run supply of labor in an improving society was a complex question. For reductions in wage rates that were either small, gradual, or temporary, the labor supply function would be backward-sloping but with an elasticity greater than minus one. In the case of reductions, laborers would try to preserve their accustomed comforts and conveniences by working longer hours, harder at piece rates and more wives and children would be sent to work as well.<sup>94</sup> McCulloch regarded this attempt at retaining most of the customary standard as crucial because this attempt was a sign that, if the wage reduction extended for a long period, the laboring classes would practice moral restraint to the extent that the future smaller population would restore wages to their original level.<sup>95</sup> However, there was always a danger that a sudden, extensive, and long-lasting wage reduction would cause the laboring classes to cease the struggle to maintain their customary standard; the short run labor supply response, in this situation, would be either a constant amount of effort or even a reduction in effort (that is, a perfectly inelastic or a forward-sloping labor supply function), and society could sink toward the degraded state. Fear of such a situation was the basis for McCulloch's constant war on excessive taxation.<sup>96</sup> He regarded the customary standard of subsistence in an improving society something which was won over a long period of time and with great difficulty and, yet, which could, on the other hand, sink very rapidly.

Hence the laboring classes had to be encouraged to maintain their precarious position.<sup>97</sup>

As for wage increases in an improving society, the immediate effect would be an increase in the quantity of labor (a forward-sloping labor supply function) because laborers would want new comforts and conveniences.<sup>98</sup> Over a longer period, the supply of labor would be backward-sloping with an elasticity greater than minus one. Part of the higher wages would be consumed as increased leisure and part as a higher material standard.<sup>99</sup> McCulloch argued that, over time, the new comforts would be regarded as necessities, that every laborer would be ashamed to be without them (note Smith's definition of necessities), and that the customary standard of subsistence would be raised. Moreover, McCulloch predicted, technical progress would continually cause temporary increases in wages, and a rising standard of customary subsistence would make those increases permanent.<sup>100</sup> In this process, the long run supply of labor would rise upward rather than being perfectly elastic since, he reasoned, each wage increase would be reinforced by more moral restraint.

For McCulloch, then, changes in the customary standard of subsistence, instead of being relegated to a footnote, occupied the center of the stage. McCulloch did not suppose that all societies fitted perfectly into the polar description of either the degenerate or the improving: in practice, he realized, most improving societies had some degenerate elements, and even the mud huts of Ireland could house some ambition.<sup>101</sup>

A curious element in McCulloch's system of thought was his failure never to renounce the Malthusian description of how a customary standard of living was preserved when wages declined. According to Torrens (see the quotation on pages 147-48 above), death played an active part in proportioning the labor force to available demand. But, if the customary standard of living was one that afforded considerable leeway above starvation and disease, why would a reduction in wages cause increased deaths? There is no apparent resolution for McCulloch's paradoxical position, and, on this issue, he seems open to the same accusation that Karl Marx made about John Stuart Mill--that is, that McCulloch is "perfectly at home in the domain of flat contradiction."<sup>102</sup> What is most interesting about this paradox, however, is that it reflects how tightly wedded McCulloch was to the Malthusian system despite his independent position on the level of customary subsistence.

Although the same paradox is evident in Robert Torrens and Jean Baptiste Say,<sup>103</sup> Torrens and Say shared an extraordinary resolution to this paradox as they are quoted successively below:

Custom is a second nature, and things not originally necessary to healthful existence become so from habit. Though the Irish peasantry, living upon potatoes and butter-milk, are not subject to a greater mortality than their neighbours, yet were the labouring classes in England, brought up upon the more substantial diet of bread and cheese, and butchers' meat, reduced to the less nutritious food which use has rendered not unhealthy in Ireland, debility and disease would rapidly thin their ranks.<sup>104</sup>

Necessary subsistence, then, may be taken to be the standard of the wages of common raw labour; but this standard itself is extremely fluctuating; for habit has great influence upon the extent of human wants. It is by no means certain, that the labourers of some cantons of France could

exist under a total privation of wine. In London, beer is considered indispensable; that beverage is there so much an article of necessity, that beggars ask for money to buy a pot of beer, as commonly as in France for the purchase of a morsel of bread; and this latter object of solicitation, which appears to us so very natural, may seem impertinent to foreigners just arrived from a country, where the poor subsist on potatoes, manioc, or other still coarser diet.<sup>105</sup>

A changing customary level of subsistence was merged into a changing physiological level of subsistence, as Torrens and Say attempted to combine the two routes described above which were open to Ricardo's followers. Torrens and Say wanted to retain the Malthusian population theory as the basis of the theory of wages while, at the same time, they wanted to consider The Means of Improving the Condition of the Labouring Class (the title of the appendix to Torrens' fifth edition of the External Corn Trade).

The "death versus customary subsistence" paradox is relevant to a discussion of short run labor supply in classical economics because this paradox places in sharp relief the difficulties classical economists had to face in reconciling long and short run labor supply responses and because this paradox is helpful in showing exactly how short run labor supply was used in classical economics. The different views of labor supply of the classical economists can be arranged according to the following schema: some, like James Mill, treated the long run supply of labor as perfectly elastic because of rapid population adjustments while they assumed that the short run supply of labor was fixed. Others, like Nassau Senior, rejected the Malthusian description of rapid population adjustment because they thought that the customary level of subsistence could change rapidly



and that, therefore, the long run supply of labor was less than perfectly elastic.<sup>106</sup> Some of the authors who argued that the customary level of subsistence could change attempted to suggest the factors which could influence this change: Nassau Senior pointed to the absence of castes or of a rigid aristocracy as a factor which contributed to a rising customary level of subsistence;<sup>107</sup> Thomas Chalmers suggested that religious education would be the most powerful.<sup>108</sup> Among these factors affecting customary subsistence was the short run labor supply response. The paradox of customary subsistence versus the rapid population adjustment shows the dichotomy in classical economics on labor supply, a dichotomy which is vividly brought out in the attempts to bridge it.

Within the set of authors who agreed that customary subsistence could vary, McCulloch gave the most systematic and thorough attention to short run labor supply. However, several authors shared his outlook.

Other Classical Authors Who Connected  
Short Run Labor Supply With the Level  
of Customary Subsistence

John Barton also retained the Malthusian framework for wage determination while trying to raise the customary level of subsistence.<sup>109</sup> He also shared McCulloch's attitudes that the customary standard could only be raised with great difficulty and lowered quite easily and that it would be virtually impossible to raise laborers from the completely degraded state:

During these periods of extraordinary privation, the labourer, if not effectually relieved, would imperceptibly lose that taste for order, decency and cleanliness, which had been gradually formed and accumulated in better times by the insensible operation of habit and example. And no strength of argument, no force of authority, could again instill into the minds of a new generation, growing up under more prosperous circumstances, the sentiments and tastes thus blighted and destroyed by the cold breath of penury . . . .<sup>110</sup>

Barton wanted to reduce the rate of growth of population in order to make wages rise. Again like McCulloch, he argued that high wages were desirable because highly paid laborers were harder working and more moral while a low wage "debases, stupefies and enfeebles."<sup>111</sup> If the customary level of subsistence could be raised enough for the average age of marriage to be increased by only two years, Barton calculated that wages would rise "as high as the warmest friend of the poor could desire."<sup>112</sup> He suggested a plan which would have effectively raised the wage rates of young unmarried laborers in the hope that they would work harder and for more hours, would raise their customary standard of subsistence, and would postpone their marriages. The plan is a good example of a classical economist (even for a friend of Ricardo) who was not hide-bound regarding laissez-faire: it recommended that, if a laborer saved and deposited in a savings bank fifty pounds before he married, the government should add a matching fund or give the laborer an equivalent value in pasture land and a cow.<sup>113</sup> Such an inducement would have the effect of an overtime premium by increasing the effective wage rates only of those laborers who worked hard- and long-enough to save fifty pounds while delaying marriage.

John Wade is another author whose views were very close to McCulloch. In fact Wade was too close, according to Karl Marx, who remarked about Wade's History of the Middle and Working Classes that "The theoretical part of this book, a sort of handbook of political economy, is, considering its date [1835, third edition] a fairly original work . . . . the historical part, on the other hand, plagiarises shamelessly from Sir F. M. Eden's State of the Poor, London, 1797."<sup>114</sup> The theoretical section suffers from plagiarism as well because McCulloch's entire analysis is borrowed, and, at one point, Wade even lifts an entire page from McCulloch.<sup>115</sup> At least Wade served to spread McCulloch's views, and, when he used his own words, he expressed those views even more strongly than McCulloch had; for example, "As the high price of labour produced by a scarcity of workmen, is the fortress that protects all their comforts and conveniences, they ought to never yield an inch of the 'vantage ground' without dire necessity."<sup>116</sup>

Another author who followed McCulloch, without such flagrant plagiarism, is Joseph S. Eisdell. Eisdell rejected Malthus' theory of population and cited Michael Sadler as the author who had both convincingly refuted Malthus and provided the correct theory of population.<sup>117</sup> Sadler's theory was that the rate of population for a given area was a decreasing function of the population density of that area.<sup>118</sup> Although Eisdell was not primarily concerned with the effect of short run labor supply on customary subsistence, he was directly interested in short run labor supply as an element in wage rate determination. Wage rates, in his view, depended on supply

and demand when the demand for labor was a derived demand based on labor productivity.<sup>119</sup>

Even approaching the question of short run labor supply for a different reason, however, Eisdell's analysis of short run labor supply is very similar to that of McCulloch. Sharing McCulloch's Smithian outlook, he argued that every laborer wanted to better his condition and that this mutual emulation caused a rising standard of social necessity. Goods considered luxuries by one generation would be considered social necessities (in the sense that a person would be embarrassed to be without them) by the next generation:

". . . when real wants are supplied, artificial ones immediately arise, actually more numerous and scarcely less clamorous."<sup>120</sup>

This rising assured that the immediate effect of a wage increase would be an increase in the supply of labor.<sup>121</sup> Only a small minority of

laborers, McCulloch's degraded elements, would respond with a decrease in labor supply.<sup>122</sup> Also like McCulloch, Eisdell thought that the

ultimate effect of a wage increase or decrease depended on the timing and the size of changes in wage rates. For example, a wage reduction

caused by taxes might immediately increase the supply of labor as laborers "make great efforts to retain" their usual comforts, but

"the . . . effect of calling forth additional effort is only a first effect . . . ."<sup>123</sup> If the tax is sudden or severe, the permanent

effect would be a reduction of effort. Also like McCulloch, Eisdell

emphasized different types of labor supply responses for he thought

that changes in wage rates would change the labor force participation

rates and the speed and quality of the work done by the labor

force.<sup>124</sup> Although Eisdell is not a well-known economist, he serves to show both the changing perspectives in economics by the year 1839 and the influence of McCulloch.<sup>125</sup>

McCulloch, Barton, Wade, and Eisell seem to be the only authors who explicitly tie changes in the customary level of subsistence to short run labor supply behavior. Although the broader question of all the determinants of changes in customary subsistence is outside the scope of the dissertation, it should be pointed out that the large number of classical economists who analyzed this question all held at least an implicit view of the short run labor supply response. For example, when John Stuart Mill argued that wage rates would have to increase by a large increment and that laborers would have to notice their improved circumstances before habits of customary subsistence would change, Mill implicitly assumed that the short run labor supply function had an elasticity greater than minus one<sup>126</sup> or, else, there would be no increase in laborers' incomes for them to notice. The implicit notion, then, was that the more forward-sloping the short run labor supply, the more a temporary wage increase would be applied to higher incomes rather than to additional leisure and the more likely, therefore, that the change in circumstances would be noticeable. Thus, writers like John Stuart Mill, Richard Jones, Nassau Senior, and Thomas Chalmers must have assumed a labor supply function with an elasticity significantly greater than minus one when they argued that rising wages, under certain circumstances, could raise the customary level of subsistence.

Short Run Labor Supply and Under-Consumption

J. C. L. Simonde de Sismondi

After the Napoleonic Wars, Jean Charles Léonard Simonde de Sismondi visited Great Britain, and the sight of unemployed laborers, idle factories, and general distress during what was then called a "glut" or a "commercial revulsion" made a lasting impression on his outlook and his economic work. Sismondi immediately set about trying to explain the causes of gluts and to search for a remedy. In a short tract written in England in 1815, he attempted to explain the causes of an inadequate aggregate demand; in 1819, a greatly expanded version of this work was published.<sup>127</sup> Sismondi's explanation of the causes of gluts defies a concise description because he adopted a shotgun approach which mixed together a half-dozen causes.<sup>128</sup> Some of these causes in part involved the use of the short run supply of labor, and this section of the essay will explore the ways in which Sismondi tied short run labor supply to his explanation of gluts.

Although Sismondi asserted that he followed Adam Smith very closely, he had a completely different view of human nature and, thus, of man's motivations for working.<sup>129</sup> Sismondi began by analyzing the motivations of an isolated man like Robinson Crusoe, whom he calls le solitaire, and he argued that the motivations and actions of such an isolated individual were crucial clues to the ways men behaved in society:<sup>130</sup> "We have seen how the isolated man formed, conserved and employed his wealth. The same operations are made precisely in the same manner and with the same goal by man

re-united with society."<sup>131</sup> On the basis of this notion that "All that is true with the individual is true in society,"<sup>132</sup> Sismondi thought that studying the case of the isolated individual was simpler than looking at society as a confusing whole, with its different types of economic agents and with its complexity of exchanges. Sismondi's technique, however, leads to a striking contrast between his views on motivation and those of Smith. For Smith, an individual's desire for consumer goods was largely based on a desire for the approval of society, and society defined luxuries and necessities by choosing those goods the lack of which would be considered demeaning. Hence, the set of necessary goods could constantly expand. Reasoning strictly from the case of the isolated man, Sismondi, on the other hand, asserts that:

The majority of modern economists have fallen into a great error when they represent consumption as being able to increase without limit . . . . The isolated man works so that he can have some leisure. He accumulates goods so that he can enjoy periods without any work. Leisure is the natural taste of man, it is the goal and compensation of his work . . . . The division of labor and the like have not changed the goal of human work. Man exerts himself only for the rest that follows, he only saves to spend . . . .

It therefore follows that the needs of a modern laborer are necessarily very limited.<sup>132</sup>

Given this different view of human nature, Sismondi, not surprisingly, made a different estimate of the short run supply of labor than Smith or McCulloch.

One cause for gluts, in Sismondi's view, was the introduction of machinery which could sharply increase labor productivity. A glut could develop when a number of industries adopted the new machinery and output would increase in these industries. Unfortunately, he

argued, the demand for most goods was extremely inelastic, and the increased supply would cause large price reductions. The results would be that prices could drop below the cost of production and that employers would try to reduce the wage rates in order to cover their costs. Sismondi admitted that eventually the laborers who had their wages reduced would look for jobs in other industries, but he emphasized that great difficulties existed in moving either labor or capital from one industry to another:

The workers who are employed by a manufacturer who can only get a price high enough to cover his expenses, are rarely in a position to pick up a new trade. They have learned their trade by a long expensive apprenticeship, the skill they have acquired is a part of their wealth; they would have to give this up if they entered another occupation. They need a new savings, which they most often do not have to pay for a new apprenticeship . . . . They continue to work at a lower wage, even at less than subsistence; the product will be sold cheaper, but the quantity of output, instead of diminishing, will probably increase. The laborer who was able to provide for his subsistence by working ten hours per day, when he has to submit to a reduction in his wage rate, looks to make the same earnings, that he needs to live, by increasing his hours. He stays at work for fourteen hours, skips holidays, denies himself the time previously given to pleasure and debauchery, and the original number of workers produce much more output.<sup>133</sup>

The labor supply response would aggravate the problem of an overproduction of commodities in the industries which had adopted the new machinery. Those laborers in the industries which had not adopted the machinery, although gaining slightly at first from the lower prices caused by machinery, would ultimately lose part of their usual income because of the decline in spending on consumer goods. The glut would spread eventually to all industries, as Sismondi saw it, because employers in every industry would reduce wages in order to



remain competitive in the face of a declining demand and laborers work longer hours or harder at piece rates in order to compensate for their lower wages. Sismondi was not clear, however, on whether a glut was a periodical phenomena or a chronic problem. If new machinery were not constantly introduced, the glut would eventually clear, but a completely free market solution would involve a great deal of suffering.<sup>134</sup>

In this sequence leading to glut, the initiating factor which caused an increase in production in some industries was the adoption of new machinery, but a similar sequence could begin if the laborers in some industries increased production because they wanted higher incomes while the remainder of the labor force was content with low incomes. Again, Sismondi saw prices dropping, wage rates dropping, output expanding, and the glut spreading to all sectors. The key assumption was that laborers and capital could not easily shift between industries. Sismondi treated this case as a hypothetical example of a proof of the possibility of general overproduction rather than as a description of what had actually caused gluts.<sup>135</sup> When Sismondi criticized the orthodox economists, he emphasized that they underestimated the difficulties of moving laborers and capital and that they overestimated the desire for consumer goods on the part of laborers. He criticized them as well for ignoring the labor supply response to changing wage rates, and, in the second edition of the Nouveaux Principes, he at once commended Malthus for picking up the issue of labor supply<sup>136</sup> and critiqued the orthodox economists:

A Scotch economist, who likes to cloth his reasoning in several abstract forms, has said exchanges will necessarily increase with the increase of abundance [production] . . . . As usual, the Scotch philosopher has forgotten man in his reckoning; if instead of a field and a workshop he had recollected that two men . . . must exchange that surplus of their products which they did not use themselves, he would have perceived that he was saying an absurdity . . . .

The extent of the market is, in effect, always limited by two things very independent of one another, the need or convenience of the buyers and their means of payment.<sup>137</sup>

But some say, if all the workers of a nation worked seven days a week instead of six, production and wealth would increase. If each man instead of ten hours worked twelve or fourteen, . . . if each child began work at a much lower age, if each old man worked to the last days of his old age, production would increase tremendously. This was very nearly the situation in France when Arthur Young reproached French laborers for their idleness . . . .

This sophistry tends to forget an essential principle that we have recognized in our description of the growth of wealth. Man works so that man can rest.<sup>138</sup>

. . . we have seen that the necessity of exchange that had been assumed by the disciple of Mr. Ricardo, will only be true if the laborers are reduced to the lowest level of real income that we have postulated, that is, they must give the most hours of work for the least food and clothing that would support life. When the laborer is not reduced to this state of distress, before considering what exchange he would make in the market he can examine first what exchange he will make with himself. If he prefers a frugal nourishment with some time reserved for . . . rest or pleasure . . . [then the output of some sectors can grow faster than others leading to the sequence of events that ends in a general glut].<sup>139</sup>

Sismondi saw some other causes for gluts which did not involve short run labor supply, but the two causes described above, machinery and unbalanced growth, did use short run labor supply in such a way as to suggest Sismondi's view that one of the major errors of orthodox economists was that they ignored short run labor supply and the fixity of laborers' desires for consumer goods.

Thomas Robert Malthus

By 1820, Malthus' thorough pessimism about improvement in the circumstances of laborers, evident in the 1798 edition of the Essay on Population, had changed to guarded optimism. The new Malthus emphasized the desirability and the means of achieving high wages, as, for example, when he anonymously reviewed a book which had criticized his Essay on Population. In this review, he answered the accusation that he favored low wages:

Another . . . misrepresentation . . . is contained in the following passage. ". . . Mr. Malthus is, upon all occasions, an advocate for low wages." Now if there be one point more than another which Mr. Malthus has laboured in all his works, even to tiresome repetition, it is to show the labouring classes how they may raise their wages effectively and permanently.<sup>140</sup>

And, the following quotations are further examples of Malthus on the subject of high wages:

If a country can only be rich by running a successful race for low wages, I should be disposed to say at once, perish such riches.<sup>141</sup>

I cannot conceive of anything more detestable than the idea of knowingly condemning the labourers of this country [England] to the rags and wretched cabins of Ireland, for the purpose of selling a few more broad cloths or calicoes.<sup>142</sup>

. . . the diffusion of luxury . . . among the masses of the people . . . seems to be the most advantageous both with regard to national wealth and national happiness.<sup>143</sup>

. . . land of the same degree of barrenness could not be cultivated if . . . labourers were very well paid; but to forego the small increase of produce . . . arising from . . . such land, would . . . be a slight . . . sacrifice, while the happiness which would result from it to the great mass of the population, would be beyond all price.<sup>144</sup>

When the resources of a country are rapidly increasing, and the labourer commands a large portion of necessities, it is to be expected that if he has the opportunity of

exchanging his superfluous food for conveniences and comforts, he will acquire a taste for these conveniences, and his habits [of customary subsistence] will be formed accordingly.<sup>145</sup>

. . . The great resource of the labouring classes must be in those prudential habits which, . . . are capable of securing to the labourers a fair proportion of the necessities and conveniences of life . . . .<sup>146</sup>

The comparative check to population . . . might in reality be effected by the prudence of the poor.<sup>147</sup>

A comparison between the above quotations and the quotations from the first Essay on Population (see pp. 161-62 above) will demonstrate that it is reasonable to talk about the "new Malthus." Noting such a change is a necessary first step in describing his use of short run labor supply because the new Malthus' ends and means would make no sense in the framework of the old Malthus.

This section of the dissertation will primarily describe Malthus' use of short run labor supply in explaining gluts, and a comment, preliminary to this description, will deal with the many interpretations of Malthus' views on gluts by different historians of economic thought by exploring the reason why there exists so many different descriptions of Malthus on gluts.<sup>148</sup>

The reason lies fundamentally in Malthus' own basic ambiguity; even the definition and nature of a glut are ambiguous in his work. Malthus' definition of a glut refers to that situation in which the income from the sale of all goods produced in a period cannot purchase more labor than was used in the original production of those goods. Samuel Bailey, a contemporary who was a critic of Malthus, argued that this definition was unintelligible,<sup>149</sup> that

Malthus simply was not clear about what commanding more labor meant.<sup>150</sup> Further, Malthus was not clear on the nature of a glut, especially on whether it was a periodical or cyclical phenomenon or was a permanent problem of secular stagnation. The author of this dissertation believes that Malthus had in mind a cyclical phenomenon because the last two pages of the first edition of his Principles of Political Economy refer to failures in the "general demand for labour" at intervals of "eight to ten years." But Malthus did not finally explain why gluts would be cyclical and his having left the question to the last page makes his entire exposition confusing.<sup>151</sup> Another example of confusion stems from his failure to distinguish between the problem of gluts in an industrialized economy like England and the barriers to growth in undeveloped economies like Ireland or South America. When Malthus attacks Say's Law in his long chapter entitled "On the Immediate Causes of the Progress of Wealth," he moves without distinctions from examples in England to Ireland to South America and back to England, and it remains unclear whether Malthus distinguished between the problem of barriers to development in poor countries and the stagnation in an industrialized country. A further problem in interpreting Malthus arises in the fact that he, like Sismondi, saw a variety of causes for gluts. Although there are some similarities in the various explanations by Sismondi and Malthus, Malthus did not accept one of Sismondi's main causes--namely, technical improvements in machinery--as a cause of gluts in practice, and this, along with other differences between Sismondi

and Malthus, should be enough to refute Marx's accusation of plagiarism.<sup>152</sup>

Because of these ambiguities and complexities in the works by Malthus, it is difficult to claim that any particular interpretation is the correct one, and, thus, in order to achieve the best possible exegesis of Malthus on gluts, two different methods will be follows: first, the exposition of Malthus' views will be supported step-by-step with quotations from his work; second, there will be a review of the reactions of Malthus' contemporaries to his statements on gluts. Malthus' contemporaries were not encumbered with modern connotations of words which could confuse later interpreters; indeed, some had the benefit of talking to Malthus about what he meant. If all of his contemporaries thought that Malthus was trying to make some connection between short run labor supply and the problem of gluts, that would be prima facie evidence that he was trying to make such a connection.

Malthus' mixture of barriers to long run development and contemporary stagnation in Principles of Political Economy requires an explanation of his theory of long run development. This theory of development was developed prior to the Principles of Political Economy in various editions of the Essay on Population, and Thomas Sowell suggested that Malthus' views on gluts were "appended" as "a sketchy corollary on temporary unemployment" to his "elaborate theory of economic development,"<sup>153</sup> but, in any case, this elaborate theory made use of short run labor supply. In Malthus' model of development, societies were classified according to their methods of production;

they were hunting societies, grazing societies, societies with rude cultivation, or, finally, advanced societies with a great deal of capital in cultivation and machinery in manufacturing. In seeking to explain why some countries had moved rapidly up this ladder while others were stuck at the lower rungs, Malthus rejected the idea that population pressure forced improvements in the methods of production. Technical changes were the results of increased desires for luxuries and manufactured goods, he argued: "Inventions, which substitute machinery for manual exertions, being the result of the ingenuity of man, and called forth by his wants, will . . . seldom greatly exceed those wants."<sup>154</sup> The reflection of this increased desire for material goods was an increased willingness to work for them. Malthus observed a progression "from the indolence of the savage state to the activity of the civilized state."<sup>155</sup> In an analysis very similar to that of James Steuart's (see pages above), Malthus argued that foreign luxury goods often played an initiating role in inciting new desires for material goods:<sup>156</sup>

The greatest of all difficulties in converting uncivilized and thinly peopled countries into civilized and populous ones, is to inspire them with the wants best calculated to excite their exertions in the production of wealth. One of the great benefits which foreign commerce confers, and the reason why it has always appeared an almost necessary ingredient in the progress of wealth, is, its tendency to inspire new wants, to form new tastes, and to furnish fresh motives for industry.<sup>157</sup>

This requirement of furnishing fresh motives for industry as a means of promoting long term growth has a parallel in Malthus' definition of gluts. It is important to distinguish the definition of a glut from either a cause or a cure. A modern analogy will illustrate

this division. A recession can be defined as two successive quarters with rates of growth of GNP less than or equal to zero. The cause might be a decline in businessmen's confidence which leads to a decline in investment. If there is no direct method for raising businessmen's confidence, the cure might be increased government spending.

Malthus' definition of a glut--the situation in which the output of one period cannot be sold at prices which would command more labor than was used in producing that output--was consistent with his idea of value, the amount of labor that goods could command. When Malthus stated that glut meant that present output had declined in value, he meant that present output could not be sold at prices which would command more labor than was used in producing that output. This definition involves an implicit assumption that wages are sticky downward. If every decline in aggregate demand was followed by a general reduction in wage rates, it would be possible to sell the output of the past period at lower prices and still command more labor. Because wages are sticky, a glut would be accompanied by massive unemployment because employers could not afford to hire laborers at existing wage rates. The following quotation is an example of the implicit assumption that wages are sticky.

. . . a mere abundance of commodities, falling very greatly in value compared with labour [because they are not better suited to the wants of society], would obviously at first diminish the power of employing the same number of workmen, and a temporary glut and general deficiency in demand could not fail to ensue in labour, in produce, and in capital, attended with the usual distress which a glut must occasion.<sup>158</sup>



Malthus was more explicit in a letter to Ricardo in which he suggested that "We know from repeated experience that the money price of labour never falls till many workmen have been for some time out of work."<sup>159</sup> A second implicit assumption was that, in order for a glut to be avoided, there had to be more labor to command--either some pool of involuntarily unemployed labor needed to be available at existing real wage rates and/or increases in wage rates needed to draw additional effort, hours, or increased participation. Malthus assumed that both sources of additional labor were available:

[If] the price of raw produce has fallen in value, so as to diminish the power of cultivators to employ the same or an increasing number of laborers . . . the money wages will not necessarily sink; and the result will merely be a slack demand for labour, not sufficient to throw the actual labourers out of work, but such as to prevent or diminish task-work, to check the employment of women and children, and to give but little encouragement to the rising generation of labourers.<sup>160</sup>

If a labourer commands a peck instead of  $\frac{3}{4}$  of a peck of wheat in a day in consequence of a rise of wages occasioned by a demand for labour, it is certain that all labourers may be employed who are willing and able to work, and probably also their wives and children; but if he is able to command this additional quantity of what on account of a fall in the price of corn which diminishes the capital of the farmer, the advantage may be more apparent than real, and though labour for some time may not nominally fall, yet as the demand for labour may be stationary, if not retrograde, its current price will not be a certain criterion of what might be earned by the united labours of a large family, or the increased exertions of the head of it in task-work.<sup>161</sup>

. . . if goods could be produced at home, which could excite people to work as many hours in the day, would communicate the same enjoyments, and create a consumption of the same value, foreign markets would be useless.<sup>162</sup>

To summarize the preceding discussion, Malthus' definition of a glut carried a number of assumptions about labor supply. Gluts occurred when aggregate output could not be sold at prices which allowed the expansion of production and when profits could not be made which allowed the purchase of additional labor. A glut was not possible if wages were perfectly flexible; it would be more likely if, for some reason, goods were not suited to the wants and tastes of society in such a way as to encourage increased effort. Furthermore, in order for society to avoid gluts, there had to be sources of what Malthus called "fresh labour," and these sources involved even further assumptions about labor supply. Usually, when Malthus talked about commanding more labor, he meant either increased hours or labor force participation, but, in one passage, commanding more labor was associated with being able to pay higher wages:

. . . when I speak of the value of the whole produce of a country being able to command more labour than before I do not mean to refer specifically to a greater number of labourers, but to say that it could purchase more at the old price, or pay the actual labourers higher; and such a state of things . . . always occasions that demand for labour, which so powerfully encourages the exertions of those who were before perhaps only half paid and half employed.<sup>163</sup>

To this point, only the nature of what constitutes a glut has been discussed, the next question is what might in fact be the cause of failures in effective demand or of the inability to reproduce and expand the existing level of output. Malthus referred to several initiating factors, among which were, first, a sudden increase in savings by landlords and capitalists and, second, a sudden increase in productivity because of the adoption of new machinery. Both

initiating factors, he thought, led to a sudden increase in output with the result that most of the extra manufactured goods could not be sold. The reason for this, Malthus thought, was a psychological aversion to additional manufactured goods by various groups in the economy which preferred increasing their leisure over increasing their consumption. Further, he regarded an aversion to work as a corollary to the aversion to goods. According to Malthus:

It is a partial and narrow view of the subject . . . [of how much someone wants to consume] to consider only the propensity to spend what is actually possessed. It forms but a very small part of the question to determine that if a man has a hundred thousand a year, he will not decline the offer of ten thousand more; or to lay down generally that mankind are never disposed to refuse the means of increased power and enjoyment.<sup>164</sup>

It has been said that, when there is an income ready for the demand, it is impossible that there should be any difficulty in the employment of labour and capital to supply it, as the owner of such an income, rather than not spend it, would purchase a table or chair that had cost the labour of a hundred men for a year. This may be true, in the case of fixed monied revenues, obtained . . . with little or no trouble. We well know of some Roman nobles who obtained their immense wealth . . . by . . . plunder, sometimes gave the most enormous prices for fancied luxuries. A feather will weigh down a scale when there is nothing in the opposite one. But where the amount of incomes of a country depend . . . upon the exertion of labour, activity and attention, there must be something sufficiently desirable to balance the exertion, or the exertion will cease.<sup>165</sup>

Immediately below are cited several quotations from the work of Malthus which are examples of those groups in the economy he thought opted for more leisure:

. . . [A] fundamental error into which . . . [Mr. Say, Mr. Mill and Mr. Ricardo] and their followers . . . have fallen is, the not taking into consideration the influence of so general and important a principle in human nature, as indolence or the love of ease.<sup>166</sup>

[Suppose there was a sudden increase in productivity.] The cultivator, being now enabled to obtain the necessities and conveniences to which he had been accustomed, with less toil and trouble and his taste for . . . [luxuries] not being fully formed, might be very likely to indulge himself in indolence, and employ less labour on the land; while the manufacturer, finding his . . . [luxuries] rather heavy of sale, would . . . fall . . . into the same indolent system as the farmer . . . . An efficient taste for luxuries . . . is a plant of slow growth . . . it is a most important error to take for granted, that mankind will produce . . . all that they have the power to produce . . . and never prefer indolence to industry.<sup>167</sup>

[Continue the supposition of a sudden increase in productivity.] . . . is it in any degree probable that the mass of vacant capital could be advantageously employed, or that the mass of labourers thrown out of work could find the means of commanding an adequate share of the national produce? . . . There is every reason to fear that the exertions of industry would slacken . . . . The peasant . . . might prefer indolence to a new coat. The tenant or small owner of land . . . might not labour so hard . . . . And the trader or merchant might think an addition of homely commodities by no means worth the trouble of so much constant attention . . . . Where the amount of the incomes of a country depend . . . upon the exertion of labour, activity and attention, there must be something in the commodities to be obtained sufficiently desirable to balance this exertion, or the exertion will cease . . . . Very few would attend a counting-house six or eight hours a day, in order to purchase commodities which have . . . [no merit].<sup>168</sup>

. . . If goods could be produced at home, which would excite people to work as many hours in the day . . . and create a consumption of the same value, foreign markets would be useless . . . . Without . . . [the stimulus of foreign goods] and with an increase in the powers of production, there is no inconsiderable danger that industry, consumption, and exchangeable value would diminish.<sup>169</sup>

It has been said that the industry of a country is measured by its capital, and that the manner in which it is employed . . . makes very little difference in the value of the national revenue. This would be true on one supposition . . . namely, that the inhabitants could be persuaded to estimate their confined productions just as highly . . . [to be] as willing to work hard for them, as for . . . [foreign commodities] . . . . Could we but so alter the . . . tastes of the people of Glasgow as to make them estimate as highly

the profusion of cotton goods which they produce as any [imported commodities], we should hear no more of their distresses.<sup>170</sup>

Adam Smith has observed "that the desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniences and ornaments of building, dress, equipage, and household furniture, seems to have no limit or certain boundary." . . . That it has no limit must be allowed to be too strong an expression, when we consider how it will be practically limited by the countervailing luxury of indolence . . . . The main part of the question respecting the wants of mankind, relate to their power of calling forth the exertions necessary to acquire the means of expenditure . . . . Wants produce wealth . . . . Civilized and improved countries cannot afford to lose any of these motives. It is not the most pleasant employment so spend eight hours a day in a counting-house.<sup>171</sup>

We should constantly keep in mind that the tendency to expenditure in individuals has [a] most formidable . . . [antagonist] in the love of indolence . . . .<sup>172</sup>

Malthus thought that some groups which had some discretion over how much they worked would cut back on their number of hours after a sudden increase in productivity. He referred to cultivators, manufacturers (employers), peasants, tenants, small land owners, traders, merchants, the industry of England in general, the inhabitants of Glasgow, mankind, and workers in counting-houses. Malthus also claimed that common laborers could not cut their hours because such a reduction would require the simultaneous agreement of all common laborers.<sup>173</sup> Some common laborers lose their jobs when the groups with discretion, their employers and supervisors, or piece workers, decided to work less. The line between those with discretion and common labor was not clearly drawn. If peasants were a group distinguished from small land owners and tenants, they probably were agricultural laborers. Malthus used the word "peasant"

interchangeably with "all laborers" in the First Essay.<sup>174</sup> Chalmers also used the words "peasants" and "laborers" interchangeably.

Ricardo substituted the word "laborer" for Malthus' word "peasant" in his Notes.<sup>175</sup> Malthus' distinction between those who worked fewer hours and those who had no discretion was not clarified in the second edition because either he or Bishop Otter dropped the argument that a reduction in hours for common laborers requires a simultaneous agreement. This argument by Malthus goes back to the First Essay and it is not clear why he dropped such a long-standing notion in the second edition of the Principles of Political Economy.<sup>176</sup>

That argument had always been very weak, however. If either an increasing capital stock relative to population or an increased productivity because of better machinery raised real wages, laborers, under Malthus' assumption of relatively fixed desires for consumer goods, would be willing to endure a "comparative" reduction in the amount of consumer goods in order to gain more leisure. But there would have been no need for a simultaneous resolution to reduce hours. Individuals would shift to those occupations and employers which offered a shorter working day, even at the cost of a reduction in per hour wages, because they preferred more leisure. Employers could attract laborers by offering shorter hours and competition, a measure which, rather than preventing a reduction in hours, would facilitate it. However, the last part of the passage--to the effect that shorter hours brought about by a general habit of indolence were of little value--is not clear. Another puzzling argument by Malthus was that an increase in wealth (defined as material objects which are

necessary, useful, and agreeable to mankind) would require "fresh labour": "In every case, a continued increase in the value of produce estimated in labour seems to be absolutely necessary to a continued and unchecked increase of wealth; because without such an increase of value it is obvious that no fresh labour can be set in motion."<sup>177</sup> But, if given existing technology, machinery which could be substituted for labor, or given new technology, labor could be made more productive, it remains unanswered why wealth could not increase without any increase in the quantity of labor.

A concise summary of Malthus on gluts is difficult because of the disjointed quality of his theory. Perhaps this difficulty explains why Malthus had so few followers on the subject of gluts. Certainly, there were many later writers who believed a general glut was possible, but Malthus' inability to produce a simple, clear, and concise theory prevented his becoming the head of a school of under-consumptionists. Malthus can be summarized as follows. For an economy to have an orderly expansion of output over time, additional units of capital had to be able to earn profits high enough to encourage continued investment. This meant that all output from one period had to sell for a price high enough for more labor to be commanded in the next period than was used in the production of the goods in the initial period. If more labor could not be commanded, there would be no profits, and output could not continue to expand. Prices could drop if there was a failure of effective demand, something which could occur for a number of reasons: sudden habits of parsimony, a change in the price level shifting income from individuals

with a high marginal propensity to spend (those on fixed incomes) to capitalists who have a high marginal propensity to save out of income, a too rapid retirement of the national debt, and, lastly, an increase in productivity with new machinery which could rapidly expand output while consumption remained nearly constant because of relatively fixed desires. As output increased for any of the above reasons, various classes might take advantage of their higher real incomes by working fewer hours. Malthus seems to have had in mind those people, the self-employed and farmers, who worked who could regulate their own hours. Common laborers could not reduce their hours because such a reduction, Malthus thought, required a simultaneous agreement among all laborers. Theoretically, producers (laborers and employers) could purchase all output, no matter how much it expanded, but capitalists by habit tend to save a large proportion of their incomes and, if wages were so high that laborers could consume almost all output, there would be no profits and, thus, no motive to continue hiring labor. To maintain prices, there had to be some group of consumers other than capitalists and laborers whose demand would keep up the effective demand. Without this group, Malthus believed, prices would fall and common laborers, unable to work shorter hours, would suffer massive unemployment. Those types of laborers who could cut their hours would do so and would, simultaneously, reduce their consumption. Inasmuch as the capital stock was undiminished while fewer people worked and less was consumed, some capital would be without employment and profits would fall generally. Eventually, unemployment would lower wage rates, and



some of the idle capital would be destroyed, thus allowing sufficient profits on the remainder and renewing the possibilities of expansion. In the interim, however, there would be great distress. If enough unproductive consumers existed to maintain prices, the glut could be avoided. The link between short run labor supply and gluts, in Malthus' work, occurs in the situation in which a number of people (Malthus was vague about exactly which groups) decide to increase their leisure and in which the undiminished capital stock would go begging for workers, profits would fall, general unemployment would exist, and unsold commodities would glut the economy until nominal wage rates were reduced. As Malthus put it:

[Unemployment] is a most painful but almost unavoidable preliminary to a fall in the money wages of labour, which it is obvious could alone enable the general income of the country to employ the same number of labourers as before, and after a period of severe check to the increase of wealth, to recommence a progressive movement.<sup>178</sup>

One last observation about Malthus is that he seems to worry about indolence a great deal. According to him, indolence mires some societies at low stages of development; indolence can threaten progress in developed economies; and, if indolence caused reduction in the work week for common laborers in England, it would be of "little value." Malthus seemed to fear that increased incomes from rising wage rates would be consumed as leisure rather than as more goods and seemed to want the labor supply to shift to the right or to increase the desire for goods relative to income.<sup>179</sup> This preference seems to be based on Malthus' religious outlook (see pages 162-63 above). In the section of this essay entitled "The Orthodox Reply,"

the reaction of some economists, who usually ignored short run labor supply and who were hardly attuned to Malthus' religious views, will be described.

### Thomas Chalmers

Thomas Chalmers was perhaps Malthus' only disciple. His views on development and indolence are identical to those of Malthus.<sup>180</sup> But he differed on the use of labor supply when he discussed gluts. Rejecting Malthus' argument that a reduction in the hours of work for common labor was impossible, he even suggested that such a reduction would be a mechanism for eliminating gluts. If laborers had some savings that they could draw on while working a short week, he argued, output could be reduced, and a temporary excess of commodities sold off:

An overstocked market is either prevented or more speedily relieved simply by so many of the workmen ceasing to work, or by a great many of them working moderately. It is thus that a savings-bank is the happiest of all expedients for filling up the gaps and equalizing intervals of ill-paid work, which now occur so frequently to the great degradation and distress of every manufacturing population. We have always been of the opinion that the main use of savings-banks was . . . to equalize and improve their condition as laborers. We should like them to have each a small capital . . . wherewith to control manufacturers . . . The overplus of manufactured goods, which is the cause of miserable wages, would soon clear away under that restriction of work which would naturally follow on the part of men who did not choose, because they did not need, to work hard for miserable wages.<sup>181</sup>

Apparently, Chalmers saw the flaws in Malthus' argument about hours being reduced only with a simultaneous agreement between laborers. Also, unlike Malthus, he did not try to refute Say's Law by arguing that it implied that everything which could possibly be produced

would be produced. Malthus' second use of labor supply in gluts--that profits would decline because, as increases in the capital stock increased wage rates, indolence would cause some people to work fewer hours--could be countered with the assertion that after real wages increased, the number of laborers would increase, in a "trifling interval," because of the principle of population. When Chalmers chose to avoid Malthus' second use of labor supply with respect to gluts, he might have had this population response in mind because he also possessed an extraordinary view of human fecundity: if there was no shortage of food, he suggested, population could double every fifteen years.<sup>182</sup>

Besides the possibility of reduced hours with the help of savings another interesting point on labor supply made by Chalmers was that, with the absence of moral restraint among laborers, the apparent short run supply of labor is perfectly elastic at some subsistence wage. He argued that the great power of population growth caused unemployment and underemployment to be normal states of affairs for a proportion of the labor force, and, although the view as based on population growth rather than on the introduction of labor-saving machinery, Chalmer's unemployed laborers fulfilled a function in his theory similar to Marx's reserve army of the unemployed:

[The additional laborers'] . . . very presence in the land will act as an incubus with over hanging pressure on the general condition of our peasantry. [Chalmers used the word "peasantry" interchangeably with "laboring classes."] They form a body of reserve, from whom masters may indefinitely draw, in every question of wages between themselves

and their servants; and by means of whom, therefore, they can, as in a market overstocked with labour, bring down indefinitely its remuneration.<sup>183</sup>

To summarize, Chalmers shared Malthus' use of short run labor supply with respect to development but not with respect to gluts. After a search through the under-consumptionist literature in the classical period, the author of this dissertation was unable to find any other economist who used short run labor supply as part of his explanation of gluts.<sup>184</sup>

### The Orthodox Reply

#### David Ricardo

Malthus' Principles of Political Economy and, to a lesser extent, Sismondi's Nouveaux Principes provoked a strong reaction from all of the supporters of Say's Law. The most elaborate and careful reply was a set of notes to Malthus' Principles of Political Economy by Ricardo in which the main conclusions were: (1) that a significant reduction in hours due to higher wages was unlikely, (2) that, even if it happened, it would in no way contribute to gluts, and (3) that, whether it was desirable for laborers to prefer more leisure to more income was a moral question which lay outside the province of political economy. These three points will be illustrated with a few quotations from Ricardo's notes. With regard to the first point, Ricardo wrote:

Mr. Malthus has dwelt much on the disinclination to work, and on the indolence of labourers, in countries where food is obtained with the utmost facility.<sup>185</sup>

Under the present circumstances of England, would not Mr. Malthus think that the situation of the labourer would be improved, if he could produce more necessaries in the same time, and with the same labour. Would he be alarmed at the love of indolence which would be the consequence?<sup>186</sup>

Here again Mr. Malthus gives an elaborate proof of what is not disputed. Countries do now [not?] always produce in proportion to their means of producing! Granted. But what inference will Mr. Malthus draw from this?--will he say he is an enemy to giving new facilities to the production of corn in England, because it will make people indolent--they [the facilities for lowering the cost of producing corn] will make them lose their taste for luxuries, and will induce them to be contented with the commonest fare? He must mean this or his argument points at nothing. See the effect of cheap means of production in South America, look at the indolent race of inhabitants in that country. Why are we to look at them but as an example and a warning, if we listen to the dangerous projects of those who would make corn cheap in this country?<sup>187</sup>

On the second point, that indolence was not a cause of gluts,

Ricardo observed:

In the last chapter, where he speaks of the pernicious consequences arising from a want of demand, he appears to me to forget that the power as well as the will to purchase is required. He says, that men will not demand because they prefer indolence to work; but they cannot produce if they will not work; and if they do not produce, they may have the will, but they want the other essential quality of demand; they want the power.<sup>188</sup>

We do not say that indolence may not be preferred to luxuries. I think it may and therefore if the question was respecting the motives to produce, there would be no difference between us. But Mr. Malthus supposes the motive strong enough to produce the commodities, and then he contends there would be no market for them after they were produced, as there would be no demand for them.

It is this proposition we deny. We do not say the commodities will in all circumstances be produced, but if they are produced we contend there will always be some who will have the will and power to consume them, or in other words there will be a demand for them.<sup>189</sup>

On the third point, that the preference for indolence was a moral and not an economic matter, Ricardo suggested:

It has been well said by M. Say that it is not the province of the Political Economists to advise:--he is to tell you how you may become rich, but he is not to advise you to prefer riches to indolence, or indolence to riches.<sup>190</sup>

Mr. Malthus['] argument is a little contradictory here. You could not find employment for your labourers he says with the capitals disengaged in consequence of the employment of machinery. I expected then that he would have expatiated on the miserable condition of this class and would have opposed the unlimited use of machinery on that ground; quite the contrary. The condition of the labourer [Malthus had used the word peasant rather than laborer] which we are called upon to commiserate is of a different description; he will be balancing in his mind whether in addition to tea and tobacco he shall prefer a new coat to indolence . . . . If these are all the sufferings that will be entailed upon us from a want of demand for home commodities, I am prepared to meet them, and care not how soon they begin.<sup>191</sup>

Two minor points discussed under Malthus can also be mentioned. Ricardo thought that any unemployment would immediately lead to a reduction in wages which would in turn allow the idle laborers to be employed.<sup>192</sup> Also, Ricardo had claimed that, if he had food and necessities, he could quickly convert them into commodities he desired; to which Malthus had replied that such would not be true in South America, Ricardo now reported that he had meant earlier only to refer to England "and not to countries only half civilized."<sup>193</sup>

This review of quotations from Ricardo is not intended to show how he answered Malthus' entire theory of gluts but, rather, only that Ricardo understood Malthus to be saying that there was some connection between short run labor supply and gluts. Ricardo's main point was that, to the extent that people worked less, there would be fewer commodities, and that fewer commodities could not be a contributing factor to the problem of an excess of commodities. Mill,

McCulloch, Torrens, and Say made essentially the same point, and while there is no reason to quote them at great length, these authors will be surveyed here in enough detail to show that they also believed Malthus had connected short run labor to gluts.

Mill, McCulloch, Torrens, and Say,  
in Reply to Malthus and Sismondi

When James Mill summarized what he thought Malthus was saying about gluts, he included short run labor as part of the summary:

The doctrine of Mr. Malthus, on the subject of gluts, seems at last, to amount to this: that if saving were to go on at a certain rate, capital would increase faster than population; and that if it did so increase, wages would become very high, and profits would sustain a corresponding depression. But this . . . does not prove the existence of a glut, it only proves . . . that there would be high wages and low profits . . . .

Mr. Malthus further says, that high wages thus produced would generate idleness in the class of labourers. The prediction may be disputed; but, allowed to be correct, what is its import? . . . [only that hourly wage rates will be higher].<sup>194</sup>

Mill goes on to deny that the short run labor supply function sloped backwards. He made the same type of comparison as Adam Smith had to the effect that high wage countries had been observed to have long hours and low wage countries short hours.<sup>195</sup>

McCulloch took the opposite tack when he discussed Sismondi: admitting Sismondi's argument that a sharp increase in wages would reduce hours, he denied the central thesis of Sismondi's glut model --namely, that the introduction of machinery would cause unemployment. McCulloch argued that the demand for most goods was more elastic than Sismondi had realized and that the kinds of rigidities Sismondi emphasized, such as laborers being unwilling or unable to transfer

to new occupations were actually nonexistent. McCulloch claimed that the unemployment caused by the new machinery which had replaced some laborers would be "evanescent."<sup>196</sup>

Torrens switched sides on the issue of under-consumption; his latter views were that a general glut was possible.<sup>197</sup> But, at the beginning of the general glut controversy, he attacked both Sismondi's and Malthus' theories. Torrens admitted, for the sake of argument, that the short run labor supply was backward-sloping, but he reasoned that this would not contribute to a glut. On the assumption of a doubling of productivity, Torrens suggested that even "if the love of ease prevails over the desire of luxurious enjoyment . . . then as there is no increase of demand; and the only effect resulting from the improved powers of industry will be, that society will work a shorter space of time than before":<sup>198</sup>

It is no solid objection to the theory of effectual demand here unfolded, that I have not taken into consideration the influence of so general and important a principle in human nature as indolence or the love of ease. This doctrine has no connexion whatever with the doctrine I have endeavoured to establish.<sup>199</sup>

Torrens also remarked that rapid inter-occupational mobility would eliminate the kinds of causes to which Sismondi had referred.<sup>200</sup>

Thirteen years later, however, he had changed his view on the ease of changing occupations, and he then suggested that retraining programs for laborers displaced by machinery be set up at government expense in order to ease this transition:

. . . those who suffer for the public good, should be relieved at the public expense. Whenever a new application of mechanical power throws a particular class of operatives out of employment, a national fund should be provided, to aid them in betaking themselves to other occupations.<sup>201</sup>



Say also replied to both Sismondi and Malthus. To Sismondi, he objected that the demand for most goods was highly elastic and that in practice machinery did not cause a reduction in employment.<sup>202</sup> To Malthus, Say wrote:

You reproach those who subscribe to my opinion with "having no regard to the influence so general and so important of man's disposition to indolence and laziness" . . . . You suppose a case, in which men after having produced wherewith or satisfy their most necessary wants would prefer to do nothing more, the love of ease being predominant in their minds over that of pleasure. This supposition, allow me to say, proves in my favor and against you . . . . Whatever be the cause that circumscribes production, whether the want of capital, of population, or diligence; or liberty, the effect on my mind is the same: the articles which are offered on the one hand are not sold because too few are produced on the other.<sup>203</sup>

This review provides a sufficient number of authors' opinions to show that the supporters of Say's Law believed Malthus was trying to make some connection between the short run supply of labor and the problem of gluts, a fact which forced economists like Ricardo, Mill, and Torrens, who scarcely ever thought about the short run supply of labor, to consider that question. Some thought the short run labor supply function was forward-sloping, some backward-sloping, but, whatever it was, they argued that it could not be a factor contributing to gluts.

#### Another Use of Short Run Labor Supply--Sir Edward West

Almost every classical economist, at one point or another, made some use of short run labor supply. The two themes developed above, improvements in the standard of living and gluts, cover most of these occasions. Although it would be possible to include a

section here entitled "Miscellaneous Uses of Short Run Labor Supply," such a section would be rambling and unfocused. If it is desirable to avoid a disjointed catalog of uses of short run labor supply, however, one application, by a significant economist, which does not fit into either of the two major themes, does merit mentioning. During the classical period, some economists questioned the basic framework of wage determination used by both the orthodox and heterodox economists. This framework was that the demand for labor was determined either by the capital stock, or by the circulating capital, or by the stock of wage goods, or by something called the "funds destined for the maintenance of labor" and that the supply of labor was determined mostly by population. The criticism of the demand side of the classical conception of wage determination is the "Wages Fund" and is outside the scope of this dissertation. But Sir Edward West used changing short run labor supply as the basis of a criticism of classical wage determination. Unfortunately, this critique was in a short pamphlet, and he did not offer a substitute model of wage determination. Still, West argued that short run labor supply response had to be accounted for in a theory of wage determination:

The price of labour then is regulated by the proportion which the supply of and the demand for labour bear to each other. The supply of labour will depend not only upon the number of labourers, as supposed by Mr. Ricardo and Mr. Malthus, but also upon the industry of the labourer. It has been stated again and again by witnesses before Committees of both Houses, that the labourer in a scarce year, when his wages will furnish him with a much less than usual quantity of fodd, will, in order to obtain his usual supply of

necessaries, be willing to do much more work even at a reduced rate of wages. This then is an increase of the supply of labour without any increase in the number of labourers . . . .<sup>204</sup>

West was a first-rate theoretical economist, and classical wage theory might have another direction if he had taken the time to work out alternative models for the demand and supply of labor. Another economist who merits mentioning, even though he did not use short run labor supply in either his theory of gluts or in determining the level of customary subsistence, is Karl Marx.

#### Karl Marx

For Karl Marx, the determination of the length of the work day was an important question because, given labor productivity and the level of customary subsistence, the length of the work day determined the rate of surplus value, the concept of which was crucial to Marx's theory of distribution and to this theory of the evolution of capitalism. Marx devoted a great deal of thought to the determinants of the length of the work day, and he criticized Ricardo for ignoring the subject:

. . . The working day is . . . an increasing magnitude, so long as no normal working day has been won . . . . From 1797 to 1815 . . . in England . . . the number of hours worked rose considerably in the principal industries . . . .

Ricardo paid no attention whatever to this, because he investigated neither the origin of surplus value nor absolute surplus value, and therefore treats the working day as a fixed quantity.<sup>205</sup>

When Marx discussed the determinants of the length of the work day, however, he did not use the short run supply of labor. A labor supply function regards the number of hours an individual or

a group would be willing to work as a function of different wage rates. If the wage rate is given, the laborers can choose the number of hours. Marx generally thought that the employer controlled both the length of the work day and the rate of wages and that the employee's only choices were not to work at all or to accept both terms. The great bargaining strength of employers eliminated the chance that, at least within a given occupation, employment could be found on alternate terms. Marx argued that, whatever the length of the work day, the wage rate was set in such a way that a full day's work earned only customary subsistence or what Marx called the value of labor power:

The value of labour power, like that of every other commodity, is determined by the labour time necessary for the production . . . of this specific article . . . . Now the living individual requires for his maintenance a certain amount of the means of subsistence. This leads us to the conclusion that the labour time necessary for the production of labour is the labour time necessary for the production of these means of subsistence . . . . The amount of the means of subsistence must be sufficient to maintain the working individual in his normal state of life. But natural wants, such as food, clothing, shelter, fuel, etc. differ from country to country . . . . The comprehensives of what are called "needs," and the methods of their satisfaction, are likewise historical products, depending in large measure upon the stage of civilization a country has reached; and depending, moreover, to a very considerable extent, upon under what conditions, and therefore with what habits and claims, the class of free workers has come into existence. Thus the value of labour power includes, in contradistinction to the value of other commodities, a historical and a moral factor. Still, for any specific country, in any specific epoch, the average comprehensiveness of the necessities of life may be regarded as a fixed quantity.<sup>206</sup>

. . . The [price of] labour which the worker sells . . . to capital is . . . determined like the value of every other commodity by supply and demand; or, in general . . . by the cost of production . . . .<sup>207</sup>

For Marx, the struggle between labor and capital was over the length of the work day because he saw daily earnings as always only enough for subsistence. And, although the laborers might want as few hours as possible, under capitalism, "His labour is . . . not voluntary, but coerced; it is forced labour . . . . Its alien character emerges clearly in the fact that as soon as no physical or other compulsion exists, labour is shunned like the plague."<sup>208</sup>

Thus, in Marx's view, "surplus labor always remains forced labor in essence, no matter how much it may seem to be the result of free contract."<sup>209</sup> Karl Marx simply did not think in terms of a voluntary

supply curve of labor as a function of wage rates. The length of the work day, he argued, was the result of a power struggle: "The capitalist maintains his right as purchaser when he tries to make the working day as long as possible . . . . The worker is maintaining his right as seller when he wants to restrict the working day to normal length . . . . When two rights come into conflict, force decides the issue."<sup>210</sup> The result of this conflict falls within two possible

boundaries: the work day had to be long enough to produce the laborer's subsistence, and, yet, it could not be so long that the laborer became physically unable to do the same work the next day.<sup>211</sup>

The employers' ability to raise the length of the work day varies directly with the rate of employment. Because laborers were without property, Marx thought, they were forced to accept whatever terms of employment were offered when there was a high rate of unemployment because they know it was unlikely that they would find another job.<sup>212</sup>

The rate of unemployment depended, in turn, on the rates of growth

of population and on the demand for labor. With the introduction of labor displacing machinery or with an increase in productivity caused by a more extensive use of the division of labor, the rate of growth in the demand for labor fell behind the rate of growth in population, thus increasing the rate of unemployment.<sup>213</sup> For Marx, the typical sequence was, first, the introduction of new machinery, second, the increase in the reserve army of unemployed, and, third, the extension of the work day. Marx offered two explanations for the series "Factory Acts" which legally limited the length of the work day for various ages, sex groups, and occupations, in mid-nineteenth-century England. One was the political power of those of the laboring classes who "had made the Ten Hours Bill their war cry."<sup>214</sup>

Laborers "voiced loud protests at meetings . . . . Their tone became threatening . . . . The factory inspectors warned the government in urgent terms that class antagonism had risen to an incredible pitch."<sup>215</sup> The second reason was that individual capitalists, acting in their own interests, had increased the length of the work day past what was desirable for the capitalist class as a whole. An individual capitalist did not care if long hours shortened the life-spans of his laborers, for his immediate profit depended on the length of the work day, and, even if he took an altruistic interest in the long term health of his laborers, his individual forbearance on the length of the work day would neither materially improve the health of the labor force nor save him from being undersold by less charitable competitors. Marx's own language on this matter is more colorful:

These acts curb the impulse of capital to suck labour power dry, curb that impulse by imposing legal limitations upon the length of the working day. The laws have been passed by a State dominated by capitalists and landlords. Quite apart from the menace of a steadily growing labour movement, a restriction of the hours of factory labour was dictated by a necessity akin to that which has brought guano to manure English fields. The same blind eagerness for plunder which had, in one case, exhausted the soil, had, in the other, exhausted the vital energies of the nation. Periodical epidemics speak as loudly here as does the reduction in the standard of fitness for military service in Germany and France.<sup>216</sup>

If the laborers succeeded in winning a legal maximum work day, the employers would try, he thought, to gain more surplus value by "squeezing out . . . more labour within a given time. This is effected in two ways; first, by speeding up machinery, and secondly, by increasing the size of the worker's working field, by giving him a larger amount of machinery to mind."<sup>217</sup>

In sum, the concept of short run labor supply function is as relevant to Marx's views on capitalism as a short run labor supply function would be if applied to the description of American slavery. Beyond capitalism, the nature of work changes to become something which is no longer alienating:

. . . man produces even when he is free from physical need and only truly produces in freedom therefrom.<sup>218</sup>

. . . the . . . socialized man, the associated producers, regulate their interchange with nature rationally . . . they accomplish their task with the least expenditure of energy and under conditions most adequate to their human nature and most worthy of it. But . . . [there] always remains a realm of necessity. Beyond it begins that development of human power, which is its own end, the true realm of freedom . . . . The shortening of the working day is its fundamental premise.<sup>219</sup>

Under socialism, the great power of production allows subsistence to be made in a few hours, and, thereafter, men work only because of the feeling of creativity. Of course, under socialism, wage labor is gone, and the concept of short run labor supply does not apply in the context of this utopia. Marx differed from the other classical economists because he treated the problems of persistent unemployment and labor-displacement because of machinery (factors found in Sismondi, Malthus, and Chalmers) as being more powerful than did the rest of the classical economists. For Marx wages under capitalism always had a tendency to sink towards customary subsistence, and he was more pessimistic than the rest of the classical economists about the chances for improvements in the standard of living. Another essential difference lay in his ethical outlook, for, in his view, wage labor was coerced, dehumanizing, and morally on a par with slavery while the other classical economists regarded wage labor as a free exchange of goods for service. Hence, a short run labor supply function, understood as a voluntary offer curve of hours, as a function of the wage rate was irrelevant to Marx.

#### Conclusions About Short Run Labor Supply in Classical Economics

Short run labor supply did have a place in classical economics under the subject of improvements in the condition of the laboring classes and under the subject of the causes of gluts.

The first subject, improvements in the condition of the laboring classes, was an important question in classical economics. Almost every economist, at some point, mentioned that the condition



of the laboring classes could be improved and went on to detail the practical measures which would bring about the improvement. However, there is a great ambiguity in classical economics--that is, its retention of the Malthusian law of population along with its acceptance of the possibility of rapid changes in the customary level of subsistence. As originally formulated, the Malthusian law of population posited rapid changes in population, with changing birth and death rates as the mechanism which would keep wages at subsistence. But, if the customary level of subsistence could change rapidly, there was no assurance that a change in incomes would be followed by increases or decreases in births, and, if the customary level of subsistence lies at a high level, it seems implausible that changes in income would be followed by increased or diminished deaths. The "death versus customary subsistence" paradox shows the difficulty of retaining both positions. Although individual economists leaned toward one or the other position, often changing their views without bothering to publicize it, some were willing to accept both extremes at the same time. Over time, classical economics moved toward the view that customary subsistence could change; but there was never a consensus position, and there was always some ambivalence. In a telling passage in his notes on Malthus' Principles of Political Economy, Ricardo responded to the passage in which Malthus had written:

There is certainly however very little danger of a diminution of wealth from this cause [real wages increasing sharply]. Owing to the principle of population, all tendencies are one other way; and there is much more reason

to fear that the working classes will consume too little for their own happiness, than that they will consume too much to allow of an adequate increase of wealth.<sup>220</sup>

Ricardo wrote, "That the labourers will have too little and not too much is indeed the great danger to be apprehended and guarded against."<sup>221</sup> After having thought it over, Ricardo must have felt that his statement was too strong because he then inserted "if possible" before the words "guarded against."<sup>222</sup>

The second subject, gluts, was undoubtedly an important issue in classical economics. Sismondi and Malthus, as their contemporaries understood them, used short run labor supply theory in the explanations of the causes of gluts.

The classical authors who discussed short run labor supply did not advance over the pre-classical authors. The classical economists thought that labor supply responses could be deduced from a correct theory of human nature--assuming, of course, that the laborers acted rationally--with the exception of Samuel Bailey who was the first economist to argue that there was no a priori basis for deducing the shape of a labor supply function and that the question could only be settled on an empirical basis.<sup>223</sup> Actual empirical work, like Smith's study of linen and woollen production in cheap and dear years and the study by Messance, were nonexistent in the classical period.

Another point which can be made regarding short run labor supply has implications for methodology in this history of economic thought. Sowell and Eagley (above page 11) have argued respectively that, in general, the short run supply of labor used by the classical

economists was forward-sloping and perfectly inelastic. A similar generalization regarding Ricardo's short run labor supply function has been made by Michael J. Gootzeit.<sup>224</sup> The methodological point which can be made is that these generalizations are not supported with citations of quotations of or even with references to passages written by classical economists. Such supporting references and quotations pose a restraint on the often convenient solution of specifying the simple function that fits best in a given model. Some of the classical economists referred to a forward-sloping labor supply function, and others to a backward-sloping labor supply function. Still others distinguished different responses to wage increases or decreases, and some distinguished the effect of small or large, and of sudden or gradual, increases or decreases in wage rates.

While these two generalizations about a forward-sloping and a perfectly inelastic short run labor supply function are possibly accurate, they do not seem easily reconciled with the classical assumption that wages are generally near customary subsistence. Questions remain about why laborers, living at subsistence, would accept a reduction in wage rates without trying to work extra hours in order to maintain that subsistence level. The forward-sloping or perfectly inelastic labor supply function is plausible for wage rate increases, but such generalizations need, at the least, to be supported with references to statements by the classical economists.

FOOTNOTES: SHORT RUN LABOR SUPPLY

IN CLASSICAL ECONOMICS

<sup>1</sup>Robert Torrens, An Essay on the External Corn Trade with an Appendix on the Means of Improving the Condition of the Labouring Classes (New York: Augustus M. Kelley, rep. 1972), pp. 343-45. An Essay on the External Corn Trade was first published in 1815. The quotation is taken from the fifth edition published in 1829. The statement by Lauderdale is quoted by Torrens without a precise reference.

<sup>2</sup>Joseph Alois Schumpeter, The History of Economic Analysis (Oxford: Oxford University Press, 1954), pp. 254-58. Schumpeter included William Petty, Robert Wallace, James Steuart and Adam Smith among the pre-1776 authors who believed that population growth was ultimately limited by the available food.

<sup>3</sup>Ibid., p. 257.

<sup>4</sup>Grosvenor Talbot Griffith, Population Problems of the Age of Malthus (Cambridge: Cambridge University Press, 1926), pp. 18, 39, 43-44, 258-59. Griffith estimated the following ten-year percentage changes in population:

	% change in population		% change in population
1700-1710	3.04	1750-1760	6.6
1710-1720	.58	1760-1770	6.9
1720-1730	.66	1770-1780	6.4
1730-1740	.08	1780-1790	8.3
1740-1750	3.9	1790-1801	11.5

<sup>5</sup>Gordon Philpot, "Enclosure and Population Growth in 18th Century England," Explorations in Economic History 12 (January 1975): 29-46.

<sup>6</sup>W. Jacob, Considerations on British Agriculture (London, 1814), p. 34. Jacob estimates that the change occurred around the year 1800.

<sup>7</sup>Griffith, pp. 131, 137, 142-159.

<sup>8</sup>See Schumpeter, p. 252.

<sup>9</sup>H. L. Beales, "The Historical Context of The Essay on Population," in Introduction to Malthus, ed. D. V. Glass (London: Watts and Company, 1953), pp. 1-24; James Bonar, Malthus and His Work (New York: Augustus M. Kelley, rep. 1966), pp. 1-42. Malthus and His Work was first published in 1885. For example, see [Edward Edwards], Piercy Ravenstone, A Few Doubts as to the Correctness of Some Opinions Generally Entertained on the Subjects of Population and Political Economy (New York: Augustus M. Kelley, rep. 1966), pp. 9-10. A Few Doubts was first published in 1821. "It was not an uncomfortable doctrine for statesmen . . . which represented the happiness of a people as the work of its government, which made their wealth and their comforts to flow from the wisdom of their rulers, but taught that misery and want were the mere infliction of Providence: evils inevitably inherent in our nature, which could not be relieved, no not even mitigated by any institutions of men."

<sup>10</sup>Mark Blaug, Ricardian Economics--A Historical Study (New Haven: Yale University Press, 1958), Chapter 6.

<sup>11</sup>Elie Halevy, The Growth of Philosophic Radicalism, trans. Mary Morris (London: Faber and Faber Limited, 1928), pp. 153-54, 192-93, 306-309; Leslie Stephan, The English Utilitarians, 2 vols. (New York: G. P. Putnam's Sons, 1902), 1:235.

<sup>12</sup>James Anderson, Observations on the Means of Exciting a Spirit of National Industry Chiefly Intended to Promote the Agriculture, Commerce, and Manufacturies of Scotland in a Series of Letters to a Friend (Edinburgh, 1777).

<sup>13</sup>*Ibid.*, p. 277.

<sup>14</sup>*Ibid.*, pp. 273-90, 405, 420.

<sup>15</sup>Samuel Crumpe, M.D., An Essay on the Best Means of Providing Employment for the People to which was Adjudged the Prize Proposed by the Royal Irish Academy for the Best Dissertation on that Subject (Dublin, 1793).

<sup>16</sup>John McFarlan, Inquiries Concerning the Poor (Edinburgh, 1782), introduction.

<sup>17</sup>*Ibid.*, p. 20.

<sup>18</sup>*Ibid.*, pp. 306, 119.

<sup>19</sup>Joseph Townsend, A Dissertation on the Poor Laws by a Well-Wisher to Mankind (Los Angeles: University of California Press, rep. 1971), p. 18. A Dissertation . . . was first published in 1786.

<sup>20</sup>*Ibid.*, p. 20.

<sup>21</sup>Ibid., p. 23.

<sup>22</sup>Ibid., pp. 37-38.

<sup>23</sup>Ibid., p. 46.

<sup>24</sup>Ibid., p. 47.

<sup>25</sup>Ibid.

<sup>26</sup>See above, p.

<sup>27</sup>Townsend, pp. 45, 29.

<sup>28</sup>Norman E. Himes, "Jeremy Bentham and the Genesis of English Neo-Malthusianism," in Economic History, a Supplement to the Economic Journal (London: Macmillan Co., 1937), pp. 267-76.

<sup>29</sup>Jeremy Bentham, Situation and Relief of the Poor Addressed to the Editors of the Annals of Agriculture (Privately printed, 1797), pp. 30-31; also in Annals of Agriculture and Other Useful Arts, ed. Arthur Young (1797), vol. 29, pp. 422-30; the significance of this passage was first noticed by Jacob Viner, The Long View and the Short (Glencoe, Ill.: The Free Press, 1958), p. 308.

<sup>30</sup>Himes, p. 270.

<sup>31</sup>Jeremy Bentham, Manuel of Political Economy in Jeremy Bentham's Economic Writings, 3 vols., ed. W. Stark (London: George Allen and Unwin, 1952), 1:272; The Manuel was written between 1793-95. Jeremy Bentham, Defense of a Maximum in Economic Writings, 3:293-96; Defense was written between 1801-1804. Jeremy Bentham, Institute of Political Economy in Economic Writings, 3:355; Institute was written between 1801-1804.

<sup>32</sup>Bentham, Economic Writings, 1:207, 247-48.

<sup>33</sup>Ibid., 3:85.

<sup>34</sup>Ibid., pp. 445-46.

<sup>35</sup>Stark indicates that Eden was a friend of Bentham's. Ibid., 2:95.

<sup>36</sup>Frederick Morton Eden, The State of the Poor: A History of the Labouring Classes in England, with Parochial Reports, ed. A. G. L. Rogers (New York: G. P. Putnam and Co., 1929); see also, Halevy, p. 225; Stephan, 1:94.

<sup>37</sup>C. K. Ogden erroneously attributed Bentham's "conversion" to the over-population view to his reading of Malthus' Essay in 1802. See Jeremy Bentham, Theory of Legislation, ed. C. K. Ogden (New York: Harcourt, Brace, 1931), pp. 474, 519.

<sup>38</sup>Thomas Robert Malthus, First Essay on Population, 1798, with notes by James Bonar (London: Macmillan Co., 1926), p. 154.

<sup>39</sup>*Ibid.*, p. iv.

<sup>40</sup>*Ibid.*, p. 29.

<sup>41</sup>*Ibid.*, p. 95.

<sup>42</sup>*Ibid.*, p. 108.

<sup>43</sup>*Ibid.*, p. 271; for harsher statements see *Ibid.*, pp. 15, 57, 74, 83, 138.

<sup>44</sup>*Ibid.*, p. 55.

<sup>45</sup>*Ibid.*, pp. 85-86.

<sup>46</sup>*Ibid.*, p. 277.

<sup>47</sup>For other testable statements see *Ibid.*, pp. 30-31, 37, 55, 74, 313.

<sup>48</sup>*Ibid.*, p. 275.

<sup>49</sup>*Ibid.*, p. 134.

<sup>50</sup>*Ibid.*, pp. 355-56, 361, 369.

<sup>51</sup>*Ibid.*, p. 363.

<sup>52</sup>*Ibid.*, pp. 370, 391. James Mill commented on this chapter in the Essay on Population in a letter to Ricardo: "Poor Mr. Malthus--If I am not mistaken, it is he who solves the difficulty about the existence of evil in this manner. What a misfortune--what a cruel misfortune, it is, for a man to be obliged to believe a certain set of opinions, whether they be fit, or not, to be believed!" The Works and Correspondence of David Ricardo, 11 vols, ed. Piero Sraffa and M. Dobb (Cambridge: Cambridge University Press, 1951), 7:212-13.

<sup>53</sup>Townsend, p. 23.

<sup>54</sup>David Buchanan, Observations on the Subjects Treated of in Dr. Smith's Inquiry into the Nature and Causes of the Wealth of Nations (New York: Augustus M. Kelley, rep. 1966), pp. xi, xii. Observations . . . was written in 1814 and first published in 1817.

<sup>55</sup>[Simon Gray], George Purves, pseudonym, Gray Versus Malthus the Principles of Population and Production Investigated: and the Questions, Does Population Regulate Subsistence, or Subsistence

Population; has the Latter, in its Increase, a Tendency to Augment or Diminish the Average Quantum of Employment and Wealth; and Should Government Encourage or Check Early Marriages: Discussed (London, 1818), p. iv.

<sup>56</sup>James Mill, An Essay of the Impolicy of a Bounty on the Exportation of Grain (New York: Augustus M. Kelley, rep. 1966), p. 23; it was first published in 1804. James Mill later (1824 and in 1826) saw one exception to the inevitability of subsistence wages, he advocated birth control as a means of raising laborers' incomes. James Mill, James Mill: Selected Economic Writings, ed. Donald Winch (Chicago: University of Chicago Press, 1966), p. 196, reviews James Mill's position on birth control.

<sup>57</sup>See above, p. 147. This quotation is from 1815.

<sup>58</sup>Ricardo, Works, 1:33n. On the Principles of Political Economy was first published in 1817.

<sup>59</sup>Ibid., p. xxi.

<sup>60</sup>Ibid., p. 95.

<sup>61</sup>Ibid., p. 100. Some details of Ricardo's ideas on policies to raise the customary standard of subsistence of the laboring classes are in his correspondence. The first step had to be the abolition of poor relief because "These rates are a yawning gulph" that could swallow up the beneficial effects of any other ameliorative measure (from a letter to Trower, 1817, in Works, 7:135). Nevertheless Ricardo subscribed funds to the Chrestomatic school (Works, 6:112), established an elementary school (Works, 7:45); he was one of the managers of a savings bank for laborers in London (Works, 7:34, 220); in parliament he supported a pension scheme for laborers (Works, 5:128). His active philanthropic career seems to belie his professed belief that customary subsistence was fixed.

<sup>62</sup>Ibid., p. 407.

<sup>63</sup>Ibid., p. 407.

<sup>64</sup>Ibid., p. 125.

<sup>65</sup>Ibid., p. 420.

<sup>66</sup>Ibid., p. 292; see also pp. 16, 93, 94, 219, 289, 348, 382.

<sup>67</sup>Ricardo, Works, 1:348n.

<sup>68</sup>Ibid.



<sup>69</sup>T. R. Malthus, Principles of Political Economy Considered with a View to Their Practical Application (London, 1820), pp. 247-257.

<sup>70</sup>Ricardo, Works, 2:292.

<sup>71</sup>Ibid., p. 115.

<sup>72</sup>Maurice Dobb, Theories of Value and Distribution since Adam Smith Ideology and Economic Theory (Cambridge: Cambridge University Press, 1973), p. 116.

<sup>73</sup>James Mill, Elements of Political Economy, 3rd ed. rev. (London, 1844), pp. 45-50. The Elements was first published in 1821. Mill allowed the possibility of an increase in wages with the widespread adoption of birth control (see above, p. ); Thomas DeQuincey, the last of Ricardo's close disciples, treated the "traditional standard of domestic life" as something which changed imperceptibly and such changes could only affect the condition of working men "from century to century"; Thomas DeQuincey, The Logic of Political Economy (Edinburgh and London: William Blackwood and Sons, 1844), p. 150.

<sup>74</sup>Ibid., p. 258.

<sup>75</sup>Schumpeter, p. 477; Dobb, p. 99.

<sup>76</sup>D. P. O'Brien, J. R. McCulloch: A Study in Classical Economics (London: George Allen and Unwin, 1970), p. 403.

<sup>77</sup>Ibid., p. 241.

<sup>78</sup>Ibid., p. 315.

<sup>79</sup>[McCulloch], "Lord Londonderry on the Rate of Wages," The Scotsman, or Edinburgh Political and Literary Journal (February 23, 1822), p. 61. O'Brien emphasized how McCulloch closely followed Smith; see his pp. 229, 241, 365, 403.

<sup>80</sup>Ibid., p. 61.

<sup>81</sup>[McCulloch], "On Commercial Distress," The Scotsman, or Edinburgh Political and Literary Journal (December 18, 1819), p. 405.

<sup>82</sup>Ricardo, An Essay on the Influence of a Low Price of Corn on the Profits of Stock, 1815 in Works, 4:33.

<sup>83</sup>[McCulloch], "On the Increase of Pauperism," The Scotsman, or Edinburgh Political and Literary Journal (November 14, 1818), p. 361.

<sup>84</sup>[McCulloch], "British Finances," The Scotsman, or Edinburgh Political and Literary Journal (November 14, 1818), p. 361.

<sup>85</sup>Ibid., p. 361.

<sup>86</sup>Ricardo, Works, 8:165-66.

<sup>87</sup>Ibid., pp. 168-69, 175, 190, 195-96.

<sup>88</sup>John R. McCulloch, A Treatise on the Circumstances Which Determine the Rate of Wages and the Condition of the Labouring Classes (New York: Augustus M. Kelley, rep. 1963), p. 16. This reprint is from the 1854 edition; A Treatise . . . on Wages was first published in 1825.

<sup>89</sup>[McCulloch], "Attempts of the Magistrates and Landholders to Fix a Maximum on the Rate of Wages," The Scotsman, or Edinburgh Political and Literary Journal (October 19, 1822), p. 328.

<sup>90</sup>Ibid., p. 328.

<sup>91</sup>John R. McCulloch, The Principles of Political Economy, 5th ed. (New York: Augustus M. Kelley, rep. 1965). p. 342. This edition was first published in 1864.

<sup>92</sup>[McCulloch], "On Salt Duties," The Scotsman, or Edinburgh Political and Literary Journal (March 7, 1818, p. 73); John R. McCulloch, The Principles of Political Economy with a Sketch of the Rise and Progress of the Science (Edinburgh, 1825), p. 348.

<sup>93</sup>John R. McCulloch, A Treatise on the Principles and Practical Influence of Taxation and the Funding System (London, 1845), p. 98.

<sup>94</sup>McCulloch, A Treatise on . . . Wages, p. 31; McCulloch, Principles . . . (5th ed.), p. 328.

<sup>95</sup>McCulloch, "On Salt Duties," Scotsman . . ., p. 73.

<sup>96</sup>McCulloch, A Treatise . . . on Taxes, p. 165; [McCulloch], "General Principles of Taxation," The Scotsman, or Edinburgh Political and Literary Journal (January 25, 1823), p. 58. McCulloch's views on taxation echo a controversy concerning Holland as a model of commercial policy from chapter one. By McCulloch's time Holland was no longer a world power, the country had recently suffered the humiliation of having one of Napoleon's brothers enthroned as a puppet king of Holland. Emil Ludwig, Napoleon (New York: Boni and Liveright, 1926), pp. 246-47. Yet Holland could still serve as a useful example for England. McCulloch warned that the cause of Holland's decline was excessive taxation. McCulloch, "Rise, Progress, and Decline of Commerce in Holland," Edinburgh Review, Number CII (July 1830).

<sup>97</sup>McCulloch, "On the Increase in Pauperism," The Scotsman . . . , p. 57. McCulloch, Principles (5th ed.), p. 333.

<sup>98</sup>McCulloch, Principles (5th ed.), p. 346.

<sup>99</sup>Ibid., p. 342.

<sup>100</sup>Ibid., pp. 50-52, 176.

<sup>101</sup>Ibid., pp. 50-52, 176.

<sup>102</sup>[McCulloch], "Attempts . . . to Fix . . . Wages," The Scotsman . . . , p. 328.

<sup>103</sup>On deaths caused by wages falling below the necessary level see [Robert Torrens], "Mr. Owen's Plans for Relieving National Distress," Edinburgh Review, Number LXIV, p. 458; Robert Torrens, An Essay on the External Corn Trade . . . , p. 345; Jean Baptiste Say, A Treatise on Political Economy or the Production, Distribution, and Consumption of Wealth (New York: Augustus M. Kelley, rep. 1964), pp. 333, 335, 373; A Treatise . . . was first published in French in 1803; this reprint is taken from an American edition translated from the fourth French edition of 1819. On wages being dependent on a changing level of customary subsistence, see Robert Torrens, An Essay on the External Corn Trade . . . , p. 466; Say, pp. 336, 402-403, 454.

<sup>104</sup>Robert Torrens, On Wages and Combinations (New York: Augustus M. Kelley, rep. 1969), p. 54; On Wages . . . was first published in 1834.

<sup>105</sup>Say, p. 336. According to Taussig, Ricardo and his followers "Half unconsciously . . . converted the original conception of habitual 'necessaries' into a conception of physical necessities." F. W. Taussig, Wages and Capital, An Examination of the Wages Fund Doctrine (New York: D. Appleton and Company, 1915), p. 32. In the case of Torrens and Say the conversion was more deliberate than Taussig imagined. Another author who held the same view as Torrens and Say is Richard Jones, Literary Remains Consisting of Lectures and Tracts on Political Economy of the late Rev. Richard Jones, ed. William Whewell (London, 1859), pp. 518-19.

<sup>106</sup>Nassau W. Senior, Two Lectures on Population, in Nassau W. Senior, Selected Writings on Economics (New York: Augustus M. Kelley, rep. 1966), pp. 26, 35, 75. Two Lectures on Population was first published in 1829.

<sup>107</sup>Ibid., p. 51; Nassau Senior, Industrial Efficiency and Social Economy, Original Manuscripts, ed. S. Leon Levy (New York: Henry Holt & Company, 1928), pp. 67, 88, 89.

<sup>108</sup>Thomas Chalmers, On Political Economy in Connexion with the Moral State and Moral Prospects of Society (Glasgow, 1832), pp. 420-50; Jones, p. 475, had an elaborate explanation with nine factors, but he did not explicitly use the short run supply of labor.

<sup>109</sup>John Barton, An Inquiry into the Causes of the Progressive Depreciation of Agricultural Labour in Modern Times with Suggestions for its Remedy (London, 1820), pp. 21, 79-80.

<sup>110</sup>*Ibid.*, p. 33.

<sup>111</sup>*Ibid.*, pp. 39, 31, 88; see also a posthumously published manuscript "Population Growth and National Strength" in John Barton, Economic Writings, ed. G. Sotiroff (Regina, Canada: Lynn Publishing Company), 2:186.

<sup>112</sup>*Ibid.*, p. 90.

<sup>113</sup>*Ibid.*

<sup>114</sup>Marx, p. 244.

<sup>115</sup>John Wade, History of the Middle and Working Classes, 3rd ed. (London, 1835), p. 242. See also pp. 206-207, 241, 247-49, 299.

<sup>116</sup>*Ibid.*, p. 249.

<sup>117</sup>Joseph S. Eisdell, A Treatise on the Industry of Nations or, the Principles of National Economy and Taxation (London, 1839), p. vi.

<sup>118</sup>Michael Thomas Sadler, The Law of Population, a Treatise in Six Books; in Disproof of the Superfecundity of Human Beings, and Developing the Real Principle of Their Increase, 2 vols. (London, 1830), 2:352.

<sup>119</sup>*Ibid.*, pp. 134-35; 1:137.

<sup>120</sup>*Ibid.*, 1:146, 110.

<sup>121</sup>*Ibid.*, p. 115.

<sup>122</sup>*Ibid.*, p. 121.

<sup>123</sup>*Ibid.*, p. 118.

<sup>124</sup>*Ibid.*, pp. 109, 120.

<sup>125</sup>The only reference to Eisdell that the author of this dissertation has found is one sentence in R. H. Inglis Palgrave, Dictionary of Political Economy (London: Macmillan, 1894-99), to the effect that Eisdell was "largely derivative."

<sup>126</sup>John Stuart Mill, Essays on Economics and Society, 2 vols., ed. J. M. Robson (Toronto: University of Toronto Press, 1967), 1:367-68; 2:415-28; John Stuart Mill, Principles of Political Economy, with Some of Their Applications to Social Philosophy, 2 vols. (London, 1848), 1:408, 452.

<sup>127</sup>J. C. L. Simonde de Sismondi, Political Economy (New York: Augustus M. Kelley, rep. 1966), pp. 27-28, 60, 63, 67, 128-30. Political Economy was first published in 1815. J. C. L. Simonde de Sismondi, Nouveaux Principes D'economie Politique ou De la Richesse Dans Ses Rapports Avec la Population (Paris: Calman-Levy, 1971). Nouveaux Principes was first published in 1819; this is a reprint of the second edition of 1827.

<sup>128</sup>See Schumpeter, pp. 740-41.

<sup>129</sup>For an example of Sismondi's asserting that he closely follows Smith, see Sismondi, Nouveaux Principes, pp. 88-89, 91.

<sup>130</sup>Ibid., pp. 96, 126-27, 245. This quotation and the following quotations from the Nouveaux Principes have been translated by the author of this dissertation.

<sup>131</sup>Ibid., p. 99; on Sismondi's use of the isolated individual see James Wildon Longley, "The Economic System of Simonde de Sismondi" (Ph.D. dissertation, Harvard University, 1947), p. 264.

<sup>132</sup>Sismondi, Nouveaux Principes, pp. 104-105.

<sup>133</sup>Ibid., pp. 249-50; see also J. C. L. Simonde de Sismondi, Political Economy and the Philosophy of Government a Series of Essays Selected from the Works of M. de Sismondi with an Historical Notice of his Life and Writings by M. Mignet (London, 1847), p. 209.

<sup>134</sup>The above argument about the effect of machinery is in Sismondi, Nouveaux Principes, pp. 106, 109, 126, 174, 249-59.

<sup>135</sup>Ibid., pp. 331-35.

<sup>136</sup>Ibid., p. 332.

<sup>137</sup>Sismondi, Political Economy and the Philosophy of Government, pp. 207-209.

<sup>138</sup>Sismondi, Nouveaux Principes, p. 277.

<sup>139</sup>Ibid., p. 331.

<sup>140</sup>[Thomas Robert Malthus], "Godwin on Malthus" in Thomas Robert Malthus, Occasional Papers of T. R. Malthus, ed. Bernard Semmel (New York: Burt Franklin, 1963), p. 139. "Godwin on Malthus" is a review of William Godwin's An Inquiry Concerning the Power of Increase in the Numbers of Mankind. Being an Answer to Mr. Malthus. The review was first published in 1821.

<sup>141</sup>Thomas Robert Malthus, Principles of Political Economy Considered with a View to their Practical Application (London, 1820), p. 236.

<sup>142</sup>Thomas Robert Malthus, An Essay on the Principles of Population (New York, London and Melbourne: Ward, Locke and Co., 1890), pp. 515-16. This is a reprint of the last edition published in Malthus' lifetime from 1826.

<sup>143</sup>Ibid., p. 535.

<sup>144</sup>Ibid., p. 215. The same passage is in Malthus, Principles of Political Economy, p. 236.

<sup>145</sup>Malthus, Principles of Political Economy, pp. 248-49.

<sup>146</sup>Ibid., p. 291.

<sup>147</sup>Ibid., p. 305.

<sup>148</sup>For example, Schumpeter, p. 740. Mark Blaug, Economic Theory in Retrospect (Homewood, Ill.: Richard D. Irwin, 1968), pp. 165, 174. Harold G. Vatter, "The Malthusian Model of Income Determination and its Contemporary Relevance," Canadian Journal of Economics and Political Science (1959): 62. Hla Myint, Theories of Welfare Economics (New York: Augustus M. Kelley, 1965), p. 500. R. D. Collison Black, "Parson Malthus the General and the Captain," Economic Journal (1967): 60-64. George W. Zinke, The Problems of Malthus: Must Progress End in Overpopulation, University of Colorado Studies Series in Economics, No. 5 (Boulder, Colo.: University of Colorado Press, 1967), p. 68. Robert G. Link, English Theories of Economic Fluctuations 1815-1848 (New York: Columbia University Press, 1959), pp. 41-44. B. A. Corry, Money Saving and Investment in English Economics 1800-1850 (London: Saint Martins Press, 1962), pp. 27-28. Joseph Spengler, "Malthus's Total Population Theory: A Restatement and Reappraisal," Canadian Journal of Economics and Political Science (1945): 93, 109. Thomas Sowell, "The General Glut Controversy Reconsidered," Oxford Economic Papers (1963), pp. 193-96. Thomas Sowell, Say's Law: An Historical Analysis (Princeton, N.J.: Princeton University Press, 1972), pp. 60-63, 89-108, 111-19. Oswald St. Clair, A Key to Ricardo (New York:

Augustus M. Kelley, 1965), pp. 172-225. Morton Paglin, Malthus and Lauderdale the Anti Ricardian Tradition (New York: Augustus M. Kelley, 1961), pp. 116-50.

<sup>149</sup>[Samuel Bailey], An Inquiry into those Principles Respecting the Nature of Demand and the Necessity of Consumption Lately Advocated by Mr. Malthus, from which it is Concluded, that Taxation and the Maintenance of Unproductive Consumers Can Be Conducive to the Progress of Wealth (London, 1821), pp. 7, 49, 55. The title of this book is ambiguous and can be read as meaning that Bailey adopted Malthus' views on the desirability of unproductive consumers. Bailey actually criticized both the orthodox and heterodox positions on Say's Law. The attribution to Samuel Bailey is from Thomas Sowell, "Samuel Bailey Revisited," Economica (1970): 402.

<sup>150</sup>For an example of a vague definition of commanding more labor see Malthus, Principles of Political Economy, pp. 451-52.

<sup>151</sup>Ibid., pp. 521-22. Cf. Black, p. 62, and Sowell, Say's Law, p. 64.

<sup>152</sup>Malthus, Principles of Political Economy, pp. 420, 426; Karl Marx and Frederick Engels, Marx and Engels on the Population Bomb, Selections from the Writings of Marx and Engels dealing with the theories of Thomas Robert Malthus, ed. Ronald L. Meek (Berkeley, Cal.: Ramparts Press, 1971), p. 177. The original source is in Marx's Theorien über den Mehrwert.

<sup>153</sup>Sowell, "The General Glut Controversy," p. 193.

<sup>154</sup>Malthus, Principles of Political Economy, p. 402.

<sup>155</sup>Ibid., p. 314.

<sup>156</sup>Ibid., pp. 405, 408.

<sup>157</sup>Ibid., p. 470.

<sup>158</sup>Ibid., p. 460; see also pp. 265-66, 445.

<sup>159</sup>Ricardo, Works, 9:20.

<sup>160</sup>Malthus, Principles of Political Economy, p. 258.

<sup>161</sup>Ibid., pp. 289-90.

<sup>162</sup>Ibid., pp. 411-12; see also pp. 322, 324, 442.

<sup>163</sup>Ibid., pp. 451-52.

<sup>164</sup>Ibid., p. 469.

- <sup>165</sup>Ibid., p. 405-6; see also pp. 355-56.
- <sup>166</sup>Ibid., p. 358.
- <sup>167</sup>Ibid., p. 359.
- <sup>168</sup>Ibid., pp. 404-406.
- <sup>169</sup>Ibid., pp. 411-12.
- <sup>170</sup>Ibid., pp. 442-43.
- <sup>171</sup>Ibid., pp. 468-70.
- <sup>172</sup>Ibid., p. 503.
- <sup>173</sup>Ibid., pp. 474, 483.
- <sup>174</sup>Ibid., pp. 73, 95.
- <sup>175</sup>Ricardo, Works, 2:357.
- <sup>176</sup>Malthus, First Essay on Population, pp. 298-99.
- <sup>177</sup>Malthus, Principles of Political Economy, p. 419.
- <sup>178</sup>Ibid., p. 455.
- <sup>179</sup>Sowell, Say's Law, p. 102.
- <sup>180</sup>Chalmers, On Political Economy, pp. 10, 12, 14-15.
- <sup>181</sup>Thomas Chalmers, The Christian and Civil Economy of Large Towns (New York: Charles Scribner and Sons, 1900), p. 304. The first edition was published in 1826.
- <sup>182</sup>Chalmers, On Political Economy, p. 380.
- <sup>183</sup>Ibid., p. 485; see also p. 386; for the use of the word peasant see pp. iii, 11.
- <sup>184</sup>There is a list of minor under-consumptionists in B. J. Gordon, "Say's Law, Effective Demand and Contemporary British Periodicals 1820-1850," Economica (November 1965): 438-46.
- <sup>185</sup>Ricardo, Works, 2:87.
- <sup>186</sup>Ibid., p. 334.
- <sup>187</sup>Ibid., pp. 336-37.



- <sup>188</sup>Ibid., pp. 36-37.
- <sup>189</sup>Ibid., pp. 313-14.
- <sup>190</sup>Ibid., p. 338.
- <sup>191</sup>Ibid., pp. 357-59; see also pp. 374-75.
- <sup>192</sup>Ibid., p. 240.
- <sup>193</sup>Ibid., p. 332.
- <sup>194</sup>James Mill, Selected Economic Writings, p. 335.
- <sup>195</sup>Ibid., p. 336.
- <sup>196</sup>McCulloch, "Review of Sismondi's Nouveaux Principes," Scotsman (April 24, 1819), p. 134; see also McCulloch, Principles of Political Economy . . . (5th ed.), pp. 142-43.
- <sup>197</sup>Robert Torrens, The Budget on Commercial and Colonial Policy (New York: Augustus M. Kelley, rep. 1970), pp. 238-89. This is a reprint of the 1834 edition.
- <sup>198</sup>Torrens, An Essay on the Production of Wealth, p. 375.
- <sup>199</sup>Ibid., p. 378; see also pp. 383, 389.
- <sup>200</sup>Ibid., p. 381.
- <sup>201</sup>Torrens, On Wages, p. 44.
- <sup>202</sup>Say, Treatise, pp. 302-303, 401.
- <sup>203</sup>Jean Baptiste Say, Letters to Thomas Robert Malthus on Political Economy and Stagnation of Commerce (London: George Harding's Bookshop, 1936), p. 29. Letters . . . was first published in 1821.
- <sup>204</sup>Sir Edward West, Price of Corn and Wages of Labour, with Observation upon Dr. Smith's Mr. Ricardo's and Mr. Malthus's Doctrines upon those Subjects; and an Attempt at an Exposition of the Causes of the Fluctuation of the Price of Corn During the Last Thirty Years (London, 1826), p. 75; see also pp. 38-39, 43, 47, 63-66, 70, 112, 114.
- <sup>205</sup>Karl Marx, Theories of Surplus Value, A selection from the volumes published between 1905 and 1910 as theories über den Mehrwert, ed. Karl Kautsky (London: Lawrence and Wishart, 1951), p. 310. This was taken from Karl Marx's preliminary manuscript for the projected fourth volume of Capital.

<sup>206</sup>Marx, Capital, pp. 158-59.

<sup>207</sup>Karl Marx, Grundrisse Foundations of the Critique of Political Economy (Middlesex, England: Penguin Books, 1973), p. 306. Grundrisse was first published in 1939.

<sup>208</sup>Karl Marx, "Economic and Philosophic Manuscripts of 1844," in Karl Marx, Frederick Engels, The Marx-Engels Reader, ed. Robert C. Tucker (New York: W. W. Norton and Company, Inc., 1972), p. 60.

<sup>209</sup>Karl Marx, Capital, A Critique of Political Economy Volume III, The Process of Capitalist Production as a Whole (Chicago: Charles H. Kerr and Company, 1909), p. 953.

<sup>210</sup>Marx, Capital (the J. M. Dent edition), pp. 234-35; see also Marx, Grundrisse, p. 825.

<sup>211</sup>Ibid., pp. 231-33.

<sup>212</sup>Marx, Grundrisse, p. 845; Marx, Capital (J. M. Dent edition), p. 299.

<sup>213</sup>Marx, Capital (J. M. Dent edition), pp. 702, 707. See also Marx, Wage Labour and Capital, in Marx and Engels, Selected Economic Writings, p. 188. Wage Labour was first published in 1849.

<sup>214</sup>Marx, Capital (J. M. Dent edition), p. 287.

<sup>215</sup>Ibid., p. 299.

<sup>216</sup>Ibid., pp. 239-40.

<sup>217</sup>Ibid., pp. 438-39.

<sup>218</sup>Marx, "Economic and Philosophic Manuscripts," p. 62.

<sup>219</sup>Marx, Capital, 3:954-55.

<sup>220</sup>Ricardo, 2:430-31.

<sup>221</sup>Ibid., p. 431.

<sup>222</sup>Ibid., p. 431n.

<sup>223</sup>[Samuel Bailey], An Inquiry, p. 97.

<sup>224</sup>Michael J. Gootzeit, "The Corn Laws and Wage Adjustment in a Short-Run Ricardian Model," History of Political Economy (Spring 1973): 65.

#### IV. SOME GENERAL CONCLUSIONS REGARDING SHORT RUN LABOR SUPPLY IN BOTH CLASSICAL AND PRE-CLASSICAL ECONOMICS

##### Labor Supply and Theories of Human Nature

The major economists who used short run labor supply began with a fundamental conception of human nature, and their views on labor supply were corollaries of their views on human nature. For example, for Adam Smith, one of man's instincts was the desire to "truck, barter and exchange." Men wanted to "better their condition," and they constantly sought the approbation of society through the goods they consumed. What Smith thought about short run labor supply could be directly inferred from this view. For a second example, in Temple or Taxes' description of human nature, laborers only thought of their immediate physical desires like animals, guided only by "lust and hunger." For a third example, there is Sismondi's view that motivations of an isolated man explained the motivations of a man in society. If the isolated man worked to satisfy his physical needs and to build up a stock of commodities so that he could rest, it could be seen that no one would undergo hardship in order to satisfy imaginary needs. And other examples are represented by the views of Malthus, McCulloch, Mandeville, Steuart, Petty, or Marx. In each case, these authors began with a conception of human nature which subsequently shaped their analytical work.

What the Economists Who Used Short Run  
Labor Supply Had in Common

One of the conclusions of the first essay was that the main reason the pre-classical economists discussed short run labor supply stemmed from their concern about economic development. The same conclusion applies to those classical economists who used short run labor supply. If an economist's primary concern is distribution, finding the factors that might cause greater effort by the labor force is not important. The economists who emphasized distribution--men like Ricardo, James Mill, John Stuart Mill, DeQuincey, and Torrens--had little need for short run labor supply. Those economists who discussed economic development--figures like Malthus, Chalmers, and Jones--needed short run labor supply because mobilizing the labor force was a necessary element in economic development. Those economists who worried about how to increase or maintain the rate of development for the economy--like McCulloch, Sismondi, and Malthus again--also needed short run labor supply.

Hours Versus Qualitative Responses  
in Labor Supply

The low wage authors in the first essay treated changing hours of work as the most important short run labor supply response and assumed that the qualitative aspects of labor supply response were less significant. The high wage authors, while not ignoring work hours, pointed to such qualitative differences as energy, ingenuity, and accuracy because, in their views, work was performed better when wage rates were high while the low wage authors thought

that work was done worse when wage rates were high. Those classical economists who used short run labor supply also emphasized qualitative differences: McCulloch believed that the length of the work week would gradually decline as wage rates increased but that more work would be done in a shorter time; Malthus mainly had qualitative differences in labor supply in mind when he contrasted the "indolence of the savage to the activity of the civilized state." Defoe, Postlethwayt, Mortimer, Malthus and McCulloch each saw that progress depended on the character of the labor force.

Nassau Senior was an economist who would never be accused of painting a distorted picture of the condition of the laboring classes because of any excessive sympathy for them. His assertion that "it is generally admitted, that during the last fifty years [1781-1831], a marked increase has taken place in the industry of our manufacturing population, and that they are now the hardest working labourers in the world" can be taken as an understatement.<sup>1</sup>

Certainly the longer hours and the faster pace of work lessened the scope for increases in labor supply and were factors in the de-emphasis of the subject of labor supply response. But the primary reason that it was de-emphasized emerged from the new view on population. Malthus' ratios dominated the thinking of most economists between 1800 and 1825, and the more strictly the new theory of population was adhered to, the less interest in short run labor supply. It was stated in the second essay that the adoption of the Malthusian theory was one of the most rapid and astonishing changes in the history of economic thought. Apparently, both material and

intellectual factors worked together to cause this change: the growing population and poor relief rolls, combined with the persuasive power of a theory which helped to solve neatly the vexing theoretical problems of distribution, concurred to win acceptance for Malthus' theory among classical economists. The result of this acceptance was that short run labor supply theory was put back into the toolbox and was only brought out again intermittently in order to handle some particularly odd-sized bolts. A final reason for the de-emphasis on short run labor supply in classical economics also has a material and an intellectual basis. If promoting development was the main reason for the pre-classical economists to look at short run labor supply, the classical economists had little reason to address that question. Intellectually, the problem of how to maximize development had been solved, at least to the satisfaction of the classical economists, by Adam Smith and his system of natural liberty. Materially, the problem of how to promote growth was also solved, for the dreams of Petty and Coke and Davenant had been fulfilled. England was now pre-eminently the world's greatest commercial power. Thus, after 1800, short run labor supply was shelved until some new issues would make it relevant again.

FOOTNOTE: GENERAL CONCLUSIONS

<sup>1</sup>Nassau W. Senior, Three Lectures on the Rate of Wages (New York: Augustus M. Kelley, rep. 1966), p. 15.

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