... of our dispositions, and as a pledge that we shall, in all cases, continue to render a strict obedience to any Regulations, that Your Reverend and Learned Board may judge it expedient to prescribe – Humbly solicit the permission of Your Reverend and Learned Board, to form, within the College, under such rules and regulations as Your Reverend and Learned Board may impose, **An Historical Society**, for the purpose of improving our knowledge of Modern History, and acquiring that facility in Composition and Speaking which the nature of our future Professions imperatively requires.

C.K. Irwin Sch	Mountifort. Longfield AB	Luke F. Fox	[illegible]
Thos Smythe Sch	Thomas H. Porter A.B.	F. B. Knox	Thomas Franks
G. D. Crooke Sch	Joseph Napier A.B.	Henry Clarke.	Edward Bell
Thomas O Sproule Sch	Gerald Fitzgibbon A.B.	Saml King –	James Moore
Jn McCaul. Sch	W Taylor A.B	Henry Somervey	R. Montgomery
J Smith Sch	S J McClean. A.B.	Simeon N Hardy	James Graham
W King Sch	J. Dailey. A.B.	John Coonyn	Samuel Waters [illegible]
Callaghan Sch	Edwd Lesley A.B	John Lyons	John Wolseley
[illegible]unreath Sch	Henry L. Herbert A.B.	Edward Hapfield A.B	Edwd. Johnston
K. H Young Sch	Wm Johnston AB	Robert Cooper	Richd. Hamilton

MOUNTIFORT LONGFIELD

His Economic Thought and Writings.
Reviewed in relation to the
Theories of his Times and of the
Present Day.

Thesis for the Degree of Doctor of Philosophy

by

ROBERT D. C. BLACK.

* * * *

The illustration opposite is a reproduction of part of a petition presented to the Board of Trinity College, Dublin, in 1825 by the Historical Society. The Society sought permission to hold its meetings within the walls of the College, a privilege which it had lost in consequence of a dispute in 1815 and did not actually regain until 1843.

This petition was presented in the year in which Longfield was elected to fellowship, and his signature appears at the head of the list of Bachelors in Arts (col.2). This evidence of early prominence in University activities is the only personal relic of Longfield which can be discovered - no portrait of him appears to exist, and none of his private papers have survived.

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OTHER ECONOMIC WORK.

ERRATA.

Page 9, lines 15 & 16:- Read together as one paragraph.

Page 13, line 18:- After "any commodity", read in:- "the measure of its value."

Pages 26 & 158:- Transpose notes 27 & 28.

Page 111, lines 13 & 14:- Read together as one paragraph.

Page 140, line 19:- Read in passage marked with asterisk.

BIOGRAPHICAL NOTE.

In the year 1831 the Reverend Richard Whately resigned the Drummond Professorship of Political Economy at Oxford to become Archbishop of Dublin. Despite the heavy responsibilities of this position at the time, he maintained his interest in the science he had taught at Oxford:- "As for himself, as in connection with the subject, he considered himself but as removed from the University of Oxford to that of Dublin; and when on leaving that place, he retired from the chair of Political Economy, he was of opinion that a chair should also be established in the Dublin University. But at that time the prevailing want of generally diffused knowledge on the subject....... was such that he hardly dared hope to succeed in finding a person well qualified to fill the office....." (1)

Nevertheless, Whately did establish a chair of Political Economy in the University of Dublin, and found a suitable occupant for it in the person of Mountifort Longfield, whom he appointed to office on November 31st.,1832. Longfield had already distinguished himself considerably in Trinity College; graduating in 1823 with Moderatorship and gold medal in Science, he secured Fellowship in 1825, when he was only 23 years of age. He was elected to the Fellowship as "jurist" (2) and the law was always his true profession-called to the Irish Bar in 1828, he took the degree of LL.D. in 1831. His interest in Political Economy was thus secondary to his work in law, and up to the time of his election as Whately Professor the subject can only have been a spare time study for him.

Yet during his tenure of the chair he showed an ability as an economist which more than justified Whately's choice of him for the position. In the condition of affairs which he describes in the speech quoted above, the Archbishop would have had good reason to congratulate himself if he had even found a person moderately competent to teach the elements of the accepted Political Economy. Longfield, however, achieved far more than this; he expounded an extremely original and advanced system, almost entirely the product of his own thought, which merited him a position as an important figure in the history of the development of economic thought.

Unfortunately, his career as a professional economist was a short one; he soon returned to the legal profession. In 1834 he resigned his fellowship to become Regius Professor of Feudal and English Law, and "on Saturday, June 25th, 1836, Isaac Butt, LL.B. was elected by the Provost and Senior Fellows to be Whately Professor of Political Economy, in the room of Dr.Longfield, resigned." (3) From that time onwards, the history of Longfield's career is one of continuous legal advancement. In 1842 he was admitted a Queen's Counsel, and in 1849 he was elected one of the three Commissioners established by the new Encumbered Estates Act. This office he held until 1858, when he became a Judge of the Landed Estates Court, which superseded the Commission. Before this, in 1853, he had accepted office as a Commissioner of National Education, and in 1859 he became a Bencher of King's Inns. The year 1867 saw him sworn into the Irish Privy Council, while after the disestablishment of the Church of Ireland he was assessor to the General Synod.

Longfield's special province was the law of real property, and he was particularly concerned with the problem of Irish land tenure. He wrote extensively on this subject, and was actively engaged in the preparation of the Land Act of 1870, and other Irish measures of Gladstone's administrations.

Despite his many legal concerns, Longfield maintained his interest in economic matters. He was a Vice-President of the Dublin Statistical Society (4) from its foundation in 1847, and became its President in 1863. He read several addresses and papers before it, and maintained his interest in it until his death, which occurred in 1884.

Such, very briefly, were the events of Longfield's life, but of Longfield as a man we know but little. He was the second son of the Reverend Mountifort Longfield, vicar of Desert Magee in Co.Cork, and a member of the Anglo-Irish family of Longfield of Longueville. In becoming a lawyer, he followed a family tradition, and won universal respect for his impartiality and integrity in that capacity.

His political opinions were those of a Liberal and a reformer - he was typically an "enlightened progressive" but never an extremist. His writings reveal him as a man of great intellect and wide interests, an active and powerful thinker. Of his personal attributes we have this description by a man who knew him in later life: (5) - "a kind and generous master, a most delightful companion, whose conversation was alike instructive and captivating, and a true friend, whose advice, sympathy and purse were ever at the service of those who enjoyed the privilege of his friendship." He seems, indeed, to have combined in himself a number of the best characteristics of the nineteenth century.

As an economist, Longfield remains essentially a figure of the "later" classical period, as it may perhaps be termed - the period when M'Culloch, Senior, and Torrens were developing and extending the system which had been created by Smith and perfected by Ricardo and James Mill. Longfield lived on into the time of Stuart Mill and Cairnes, of Jevons and Menger, and even Marshall, but from an economic point of view he is always one of their predecessors, never a contemporary.

Perhaps this fact that he devoted himself to the study of Political Economy for so short a time, and then virtually abandoned it, may account for Longfield's having received so little recognition as an economic writer. His career as a Professor of Political Economy was no more than a brief episode in a remarkably full and active life. It is natural, therefore, that he should be remembered more as a lawyer and a judge, but even so, Longfield the economist has escaped attention to a quite extraordinary extent. Outside Ireland, his work was practically ignored at the time of its publication, and even in his own country he enjoyed only a very brief notice as a writer on economic questions. Longfield seems scarcely to have influenced his contemporaries in Political Economy at all, and he had no more effect on his successors - for whereas Senior accorded him one mention in a foot-note, John Stuart Mill referred to him not at all. In fact for some seventy years his writings were virtually forgotten - until the late Professor Seligman drew attention to them in his excellent essay "On Some Little-Known British Economists", first published in the "Economic Journal" in 1903. Since that time, Longfield has been accorded a place in the history of economic theory as one of that curious group of rather obscure economists who in the 'thirties and 'forties of the nineteenth century anticipated in some respects the marginal analysis of Jevons and the Austrian School. Yet he really deserves more importante than this, for he was not merely an obscure Professor who had advanced ideas on some topics but genuinely an economic thinker of considerable stature, who in his brief career evolved a theoretical system of the greatest brilliance and originality. It will bethe aim of this present work to demonstrate that fact.

SECTION I: INTRODUCTORY

It has been said that Longfield was appointed Whately Professor in 1832, but he delivered no Lectures in that year. (1) His first course was given in Trinity and Michaelmas Terms of 1833, and in the eleven lectures which it comprised Longfield developed a theory of Distribution which remains as his longest and greatest work in Economic Theory. This was published in 1834 under the title of "Lectures on Political Economy", and in the Preface to the book Longfield describes the subject of Distribution as "the most important in Political-Economy", but one which "seems not to have attracted much attention." The theory which he develops to remedy this deficiency undoubtedly constitutes a decided advance on the classical one, and may be said to form the core of his economic analysis.

In view of this, it is perhaps regrettable that in his course for 1834 Longfield left the sphere of theory to consider more practical problems, for a further development along the lines of the "Lectures on Political-Economy" would certainly have been of lasting merit and interest. The series of Lectures for 1834 consisted of two parts - the first on the Poor Law question and the second on Foreign Trade, with the addition of a special Lecture on the then vital and ever-present problem of Irish Absenteeism. These were published in 1835 as "Four Lectures on the Poor Laws" and "Three Lectures on Commerce and One on Absenteeism", two volumes which, although they relate most directly to Irish problems of the eighteen-thirties, are none the less notable for some strikingly novel contributions to economic science generally.

In the academic session of 1834-35, Longfield had become Regius Professor of Feudal and English Law, but he does not seem to have resigned the chair of Political Economy nor was any deputy appointed to discharge the duty of giving the lectures. Presumably, therefore, Longfield delivered further courses in 1835 and 1836, for Butt, his successor, only began lecturing in Hilary Term, 1837. Unfortunately, these lectures of Longfield's were never published and no record of them has survived. Hints in the course of the earlier works of a theory of production and consumption and further lectures on Trade to follow are the only remaining indications of what their contents may have been.

The three books mentioned above therefore constitute the bulk of the materials for a consideration of Longfield's economic thought-a small foundation, it may seem, on which to construct such a survey, but in fact the originality of their contents more than compensates for their somewhat limited scope.

Some other economic works by Longfield exist, but they have not the systematic character of the Whately lectures. They consist of four articles on Banking published in 1840, and his addresses to the Dublin Statistical Society, given at various dates between 1848 and 1872. Interesting as they are, these works have hardly the same permanent significance as the three books of Lectures, which stand out as the real basis for Longfield's claim to recognition as an economist of importance.

Such, then, is the scope of Longfield's economic works. (2) In them, the style and literary character for the most part matches the quality of the economic thought; Longfield's writing is clear and elegant, his mode of expression often strikingly forceful. Such occasional obscurities as are found seem to be due in the main to the fact that his work in its published form retains the character of the original verbal lectures very closely, and this fact seems to account for the undeveloped comments and small inconsistencies which occur here and there. On the whole, however, the comment of Longfield's reviewer in the "Dublin University Magazine" of 1834, that "somewhat more of elementary clearness in the manner of putting forward his opinions" is desirable, appears rather unjustified.

Nevertheless, it may be conceded that there is a good deal of truth in Longfield's own remark that "the inventor of a system is apt to consider his reasonings and deductions as clear, on account of his own familiarity with them, while the unprejudiced public will judge them to be obscure and unintelligible" (3) and Longfield's hearers and readers in 1834 may well have found him a difficult expositor. Yet now, after the lapse of over a century, it is the careful phrasing of well-considered propositions which impresses most and there seems no greater criticism to make of Longfield's writing than that he had a tendency to distribute commas in a quite indiscriminate manner!

II.

Longfield's views on the nature and importance of Political-Economy are given in his first Lecture on the subject and they have considerable significance as a key to his approach to economic questions. As to his definition of the science, it is certainly in no wise unconventional: "The science of Political-Economy teaches the laws or rules which regulate the creation, accumulation, distribution and consumption of wealth in different countries." (4).

From this very formal opening, he proceeds to demonstrate the importance and value of the subject and "to remove some of the objections that are frequently advanced against the methodical study of the science" -- a task which, it seems, has been forced upon economists almost since "methodical study" in Economics was first attempted. It was a task which Longfield had especial reason for performing, being virtually the first teacher of scientific Political Economy in Ireland at a time when economic considerations were coming very much to the fore. In this connection he himself emphasises the "propriety and necessity of studying the subject in the present times." (5).

His explanation of the importance of Political-Economy naturally turns largely on the interpretation of the term "wealth" and accordingly it provides a significant indication of the real scope of his definition of the subject.

Longfield points out that to maintain that wealth is a 'doubtful good' is not a valid objection against the study of questions concerning it, for even if it be admitted that wealth is a positive evil "Political Economy must be studied, to teach nations the method of avoiding wealth." From this negative assertion, he proceeds to a positive statement of the importance of wealth, and says:-

"Under the term Wealth is included all that contributes to the subsistence, the comforts, as well as the luxuries of the community........"

From this it appears that Longfield does not confine wealth to material goods, even though the distinction of productive and unproductive labour, which formed the basis for the exclusion of services from wealth, does appear at one stage in his work. Subsequently, however, he does confine wealth to things having exchangeable value (see below, Sect.II).

In all this discussion, it may be noted, the emphasis is on national or communal, rather than individual wealth. Unlike the majority of his contemporaries, however, Longfield seems to think of average, rather than aggregate, national wealth - the standard of living of the population. He places special emphasis on this, and seems to be of opinion that the correct interpretation of wealth is in terms of the welfare of the general body of the people. (6).

Having outlined the importance of its subject matter, Longfield then deals with some objections to making Political-Economy a scientific study, and makes the very pertinent observation that "much of the prejudices entertained against this science, and much of the difficulty attending the diffusion of what are called its doctrines, that is, of such propositions belonging to the science as can be demonstrated to be true, lies in the very interesting nature of the subjects with which it is conversant." Political Economy is obnoxious to the man in the street, not because it deals with obscure or unimportant matters, but because it deals with matters of such vital concern to him that he feels himself as well qualified to pronounce on them as any expert, and in fact sees no need for expert study. In this respect, Longfield has some very pungent remarks to make about the amateur economist and his methods (7), and he emphasises the real importance of accurate thinking in a comment which displays an excellent appreciation of the real problems of economic analysis:- "Perhaps there is even no subject in which method and order are of more importance than in this, as there is none in which the questions are so interwoven with each other, and in which it is so often a matter of difficulty, in cases of two observed coincident phenomena, to determine which is the cause and which is the effect." (8). This leads Longfield to consider the 'nature of the appeals made to experience' against economic science, and hence to discuss the general relations between theoretical reasoning and practical observation in Political Economy. He emphasises the impossibility of experiment in economic problems and the vast extent of the factors and influences involved, which make it inevitable that "experience, without theory and reasoning, must ever prove a blind and inefficient guide". To rely on experience alone, he suggests, is to preclude the possibility of progress, "as experience, from its very nature, cannot invent, however it may suggest improvements."

—— The fundamental causes of social and economic phenomena can only be discovered and analysed by theoretical methods. Accordingly, Longfield adopts the deductive method of the classical school in his own writings.

It must not be imagined that because of this he neglected the importance of practical and factual observation. This passage from his first Lecture is a very good description of his own methods:-

"...the political-economist omits no opportunity of acquiring the knowledge of facts, though he uses reason and cautious theory to distinguish the relation of cause and effect from accidental or unnatural coincidences."(9)

Again, discussing absenteeism, he says: "In Political Economy, we must not abstract too much" (10). Indeed the charge of undue abstraction is one which can never be levelled against Longfield; a strong sense of reality permeates his whole work. Although he was fully capable of employing the most theoretical forms of reasoning, he had too keen a mind to be decived by theories which were out of accord with experience. Consequently he developed a very sound method of analysis, developing his abstract theories from reality, but never apart from it. Undoubtedly this method of using a well-balanced combination of reasoning and observation goes far to explain the remarkably original and advanced character of Longfield's economic analysis.

THE THEORY OF DISTRIBUTION.

SECTION II. THE THEORY OF VALUE.

(The whole of Longfield's work on this subject appears in the "Lectures on Political Economy," for Trinity and Michaelmas Terms, 1833. He never subsequently modified his theory, so far as can be ascertained. The question of Value is discussed in Lectures II and III and revised in Lecture VI. The subject of Lecture IV, the causes of wage differences, is said by Longfield to be relevant also to the discussion of value, as affecting its measurement in labour, but actually it is more relevant to the question of wages. It is treated here under that head (below, Sect.V.) The question of determination of Value in cases of joint supply is treated in a note, to page 32 of the Lectures.)

Longfield's theory of Distribution begins, in customary fashion, with a discussion of the question of Value. The theory which he advances in this discussion is the foundation of all Longfield's subsequent work on Distribution and the special character of that work is mainly accounted for by the special character of this theory of Value.

But the theory of Value is not only the foundation of the theory of Distribution---it is the foundation of all Longfield's economic thought. He uses it as a starting point in the solution of almost every economic problem he deals with and consequently it assumes a special importance in any attempt to understand and evaluate his ideas. The theory of Value is at once the most important part of Longfield's work and the greatest of his contributions to Economics.

II.

At the time when Longfield gave his Lectures on Political Economy the theory of value generally accepted was the labour theory, to give it the simplest of its several names. Although it is so very well known, it may not be out of place here to recapitulate its essentials and outline its development, for an understanding of the general position of value theory in the period when Longfield wrote is a necessary background to the study of his own work in this field.

Th explain the development of value theory in general, and the the labour theory of value in particular, it is necessary to go back to Adam Smith's "Wealth of Nations".

Smith noted that "the word Value....has two different meanings and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use; the other "value in exchange:" From this he went on to show "what is the real measure of this exchangeable value" and laid down simply at first that "labour....is the real measure of the exchangeable value of all commodities." (1) He went on to remark, in his next chapter, that "In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstamce which can afford any rule for exchanging them for one another." (2) An allowance must be made for "superior hardship, and for uncommon dexterity and ingenuity." but this does not invalidate the general principle that value is determined by labour. This last admission was an avoidance, rather than a solution, of the important problem of the existence of different kinds of labour.

However, Smith does not adhere to this labour theory; when the "early and rude state of society" has passed away, when stock has been accumulated and land appropriated, the situation as regards value is very different. Then "the whole produce of labour does not always belong to the labourer. He must in some cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance which can regulate the quantity which it ought commonly to purchase, command or exchange for." (3) Profits and rent also enter in as determinants of value, although labour still measures the real value of all these parts. So, with Smith, the labour theory of value is used only with reference to primitive society; in the developed state land and capital are also admitted into the question and the labour theory changes into a cost-of-production theory. Yet labour is not altogether excluded - it remains as the measure of real value - a fact not without importance in the development of value theory.

It was left to David Ricardo to evolve the labour theory in its most complete form. This he did mainly in his "Principles of Political Economy and Taxation" first published in 1817. In the chapter on Value he conceded the importance of Smith's distinction of "value-in-use and "value-in-exchange", to which he gave the more convenient names of utility and value, but went on to say:

"Utility then is not the measure of exchangeable value, although it is absolutely essential to it." Without some utility a commodity can have no value, but once "possessing utility, commodities derive their value from two sources: from their scarcity, and from the quantity of labour required to obtain them." (4) The case of scarcity is quickly passed over, as applying only to 'rare goods.' "By far the greatest part of these goods, which are the objects of desire, are produred by labour." Ricardo quotes Smith's explanation of the determination of value in the primitive state of society with approval, saying: "That this is really the foundation of the exchangeable value of all things, excepting those which cannot be increased by human industry, is a doctrine of the utmost importance in Political Economy." (5) He does not follow Smith in confining the labour theory of value to primitive times alone, however, but attempts to make it of universal application.

In this his problem was to show that labour was the only source of value and the amount of labour used in the production of any commodity. To do this he had to eliminate land and capital from the question, proving them to be neither sources nor determinants of value. The elimination of land was comparatively simple on the basis of the theory of rent. Since the price of corn was regulated by its labour cost of production on the worst soil in cultivation, which afforded no rent, computation of this labour cost alone determined value, and land and rent could be disregarded altogether.(6) The case of capital and profits was considerably more difficult, and in fact Ricardo was never able to arrive at a wholly satisfactory solution of this problem. He introduced the clumsy expedient of considering capital as "embodied" labour and, when calculating the valu of any article, counting the 'indirect' labour employed in the production of the capital goods utilised, along with the direct labour which co-operated with these capital goods in the production of the final good.

This is obviously a doubtful solution of the problem, and Ricardo's own recognition of this is shown by the summaries he gives at the beginning of the various sections in his chapter "On Value" in the "Principles." Thus he begins firmly enough at Section III:-

"Not only the labour applied immediately to commodities affects their value, but the labour also which is bestowed on the implements, tools and buildings, with which such labour is assisted."

Then in Section IV he admits:-

"The principle that the quantity of labour bestowed on the production of commodities regulates their relative value, considerably modified by the employment of machinery and other fixed and durable capital."

And again, in Section V:-

"The principle that value does not vary with the rise or fall of wages, modified also by the unequal durability of capital, and by the unequal rapidity with which it is returned to its employer."

Thus Ricardo is forced to introduce considerable "modifications" which greatly limit the validity of his first theory. He is never really able to eliminate capital successfully at all, but merely says:".....this cause of the variation of commodities is comparatively slight in its effects. ....Not so with the other great cause of the variation in the value of commodities, namely, the increase or diminution in the quantity of labour necessary to produce them."(7)

However, even if these difficulties are passed over, there still remains another problem in the question of profits---why should labour embodied in a commodity, and the source and measure of its value, exchange for a less value of labour in the form of wages? In other words, if labour is the only source and determinant of value, why does the labourer not receive the whole product of his work? Smith had met, or rather avoided, this question by admitting capital and land to be sources of value in a developed society. Ricardo could not do this without abandoning the pure labour theory and he was equally unwilling to adopt the "exploitation" theory, later developed by Marx. His solution represents a middle course between these two methods. He solved the problem by admitting that the value of labour itself was variable, even on the basis of the labour theory of value, since the amount of labour which went into procuring a given level of subsistence for the worker was a varying quantity in time and place. (8) By this reasoning, Ricardo was able to show that while the amount of labour embodied in a good measured its value, the labourer was only entitled to demand the "natural" or equilibrium rate of wages as his share of the product, so that the apparent paradox did not invalidate his theory.

Apart again from all the difficulties of eliminating all other sources of value but labour, there was the further difficulty of the existence of different kinds of labour. This problem had been inadequately treated by Adam Smith, but Ricardo's explanation of it was but little better. He introduced the idea of a "scale" on which the different kinds of labour were adjusted relative to one another; once the position of the different sorts of labour on the scale had been determined, he thought, they would not be subject to frequent or significant change. So the question of differences of "comparative skill and intensity of labour" needs scarcely to be attended to, as it operates equally at both periods" when a change of price or value is being considered. This is not necessarily true, however, and again Ricardo is forced to minimise the difficulties of his theory rather than to dispose of them satisfactorily.

Yet in spite of its complications and inadequacies this theory of value was generally accepted by Ricardo's successors in English Political Economy for a full half-century. They improved upon it but made no fundamental alterations. Amongst the most noted of Ricardo's disciples were James Mill and McCulloch. The latter adhered with the most extreme regidity to the 'pure' labour theory, being more strict even than Ricardo himself. Others, however, adopted the simpler method of Smith, and used a cost-of-production theory. Even though these writers were not able to overcome the difficulties of the theory any more than was the "Master" himself, its influence continued until the time of John Stuart Mill and Cairnes, although it was by then much modified.

In considering the history of the labour theory of value, the distinction between labour as source and labour as measure of value must be constantly borne in mind. The attempt to make labour the sole determinant of value was never successful, and it was not seriously made by many other writers besides Ricardo. Yet the idea that labour formed a peculiarly useful and "real" measure of value found much wider acceptance. Smith maintained labour as a measure after he had abandoned it as a unique source of value. His contention that it formed the"only real" and invariable measure of value was subjected to much pertinent criticism, and most of his followers admitted it to be impossible to find an invariable measure of value. Nevertheless, the idea that labour was somehow superior to money as a measure of value pesisted, and in the history of the economic writings of the period the connection between labour and value is inescapable.

It is true that acceptance of the labour or "real-cost" value theory was general, but it was by no means universal. On the Continent it found no following as a rule, whilst it is now generally conceded that even in England itself the theory was subjected to considerable criticism very shortly after its original promulgation, and there existed a considerable body of writers who approached the problem of value from a different angle, making utility its ultimate basis.

This method may be said to have originated in France, chiefly through the agency of J.B.Say. He himself regarded his work in the field of Political Economy as a dissemination of the doctrines of Adam Smith to counteract Physiocratic theories, but as far as value was concerned he did not follow Smith in using a cost-of-production theory, but started from the point of utility. He was probably influenced towards this approach by the earlier writings of the Abbé Condillac, who had expounded a utility theory in his work "Le commerce et le Gouvernement considérés relativement l'un à l'autre,"published in the same year as the "Wealth of Nation's", 1776. Say, in his "Traité d'Économie Politique," turned Smith's theory into a utility theory, making his "value-in-use" the primary determinant of value, with scarcity the other important factor. Cost of production occupied only a subsidiary position as the lower limit of price.(9) Thus, while there were two essential factors in Smith's theory of value---"value-in-use", or utility, on the one hand, and cost of production on the other, Smith placed the emphasis on cost of production. Say reversed this and made utility the important factor.

This value theory of Say found general acceptance in France at the time when the labour theory was dominant in England. Say's successors improved but made no fundamental changes. At the same time there was a somewhat similar development of theory in Germany under the influence of such writers as Hermann and Storch.

English political economy itself was not immune from this 'subjectivist' influence until the time of Jevons, as used to be generally thought. In the early part of the nineteenth cebtury there were quite a number of writers in England who approached the problem of value in the same manner as Say. They did not constitute a united group or "school" in the true sense of the word; for the most part they evolved their theories quite separately, and indeed were often unaware even of one another's existence. Nevertheless, their work formed a very definite undercurrent of opposition to the classical doctrine.

One of the earliest of these writers was James Maitland, Earl of Lauderdale. In 1804 he published his "Inquiry into the Nature and Origin of Public Wealth" and wrote his first chapter on the subject of "Value, and the Possibility of an Accurate Measure of Value." The theory which he puts forward closely resembles that of Say and seems also to show something of the influence of Condillac. Lauderdale bases value on the two circumstances of utility and scarcity and stresses the fact that value is not an intrinsic quality of a commodity. Consequently, he reasons, there can be no such thing as a "real" or invariable measure of value. He strongly criticises Smith and earlier writers, notably Sir William Petty, for attempting to make labour into such a measure. He summarises his theory in the following passage:-

"Great, therefore, as the authorities are who have regarded labour as a measure of value, and who by so doing have contradicted that view of value which has been given, it does not appear that labour forms any exception to the general rule, that nothing possesses real, fixed or intrinsic value; or that there is any solid reason for doubting the two general principles we have endeavoured to establish:-

1. That things are alone valuable in consequence of their uniting qualities which make them the objects of man's desire, with the circumstance of existing in a certain degree of scarcity.

2. That the degree of value which every commodity possesses depends upon the proportion betwixt the quantity of it and the demand for it." (10)

This theory of Lauderdale's was the first indication of a new approach to the problem of value in English writings; it was evolved even before Ricardo produced his theory. Most of the other authors who followed the same lines wrote during the 1830's. Perhaps the best known of all of them was Nassau Senior. Like Lauderdale, he was influenced by Say's work on value, but also attached great importance to Ricardo's theories, more, in fact, than did any other "opposition" theorists. Indeed, he may be said to have had a foot in both camps, for his theory of value was essentially an attempt to reconcile the work of Ricardo and Say.

Senior starts from Say's notion of value based on utility and scarcity, but adds in "transferability" as an additional element giving value to a good. This enabled him to include immaterial as well as material goods in the analysis, in so far as a transfer of their utility was possible. In dealing with the influence of utility Senior pointed out the existence of diminishing utility in an interesting passage:-

"Not only are there limits to the pleasure which commodities of any given class can afford, but the pleasure diminishes in a rapidly increasing ratio long before those limits are reached." (11) He did not enlarge on this, however, and utility really did not receive a very prominent position in his theory. He objected, however, to the idea of confining wealth and value to things produced by labour, and considered scarcity a much more important factor for the determination of value than labour. (12)

Senior did much to improve the Ricardian theory and eliminated a number of its greatest difficulties by introducing the concept of "abstinence" as a factor in the production of capital. He thus admitted the productivity of capital and made the labour theory a cost-of-production theory again. He analysed the influence of cost of production on price in a series of five different cases, proceeding from perfect competition through various degrees of monopoly, and showed that the cost-of-production theory of value is only entirely valid the first case. Thus his work may be said to have consisted in improving the classical theory and supplementing it by a more complete explanation of the influence of utility and demand.

Senior was the first holder of the Drummond Professorship of Political Economy at Oxford from 1825 to 1830. and his two immediate successors in the chair were also exponents of the utility approach to value questions. The first was Richard Whately himself, who later founded the chair at Dublin which Longfield held. Whately did not really develop a utility theory of value, or indeed any theory of value, but he displayed notable "subjectivist" leanings. He gave special importance to the question of exchange and his proposal to re-name Political Economy "Catallactics", or the science of exchanges, has often been quoted. Another significant remark of his, on the relation of cost of production to price, has also gained some fame:- "It is not that pearls fetch a high price because men have dived for them; but, on the contrary, men dive for them because they fetch a high price." (13) Whately emphasised that labour is not essential to value, but that it is a mere accident that most valuable things require labour for their production. He considered the labour theory a confusion of cause and effect. The influence of Senior is evident in these views, and it seems likely that Whately had seen a draft of Senior's "Out-line of the Science of Political Economy", even though this was not published until 1836 , five years after the appearance of Whately's "Introductory Lectures".

The next occupant of the Drummond chair, Rev. W.F. Lloyd, gave more specific attention to the problem of value, and developed a remarkably complete theory on the basis of utility. He published only one of his lectures on the subject, "A Lecture on the Notion of Value". In this he explains the principles of diminishing utility and the margin of indifference. He takes a very typical "Marginal" case--a hungry man presented with successive ounces of food-- and explains how the utility of each successive ounce decreases until the point is reached "when, with respect to a single ounce, it is a matter of indifference whether it is parted with or retained." (14) Lloyd maintained the idea of absolute value as distinct from relative or exchange value, but he did not identify absolute with intrinsic or real value. He denied the existence of intrinsic value and held that value was "in its ultimate sense......a feeling of the mind." (15) This curious distinction of intrinsic and absolute value arises from the fact that Lloyd used 'absolute value' to mean the value of a particular thing to a particular person, aside from any question of exchange. This is similar to the meaning usually given to "utility", but Lloyd used utility in the more everyday sense, to mean the general usefulness of a commodity. Lloyd did not consider the question of labour as a measure of value in this lecture, but he does not seem to have attached any importance to the labour or "real-cost" theory. In fact it is a curious point about Lloyd's explanation of value, arising apparently from his unusual definitions, that cost of production and supply do not enter into the question at all. His theory is indeed more purely subjective than that advanced by any other economist of this group, but this very fact constitutes a definite weakness in it.

These authors were not the only ones who dissented from the labour theory, but it would be superfluous to refer in detail to every instance; enough has been said to indicate the trend. No account of the "opposition" writers of this period would be complete, however, without reference to Samuel Bailey, author of the "Critical Dissertation on the Nature, Measures and Causes of Value; chiefly in reference to the writings of Mr. Ricardo and his followers," published in 1825.

Bailey's chief concern was to point out the errors and weaknesses of the Ricardian labour theory rather than to set up any other theory of value in its place. His criticisms were really directed more against the form in which the theory had been stated than against the theory itself. After a lengthy discussion of the matters mentioned in his title, he eventually says: "It appears, therefore, that if we do not aim at undue generalisation, but are content with a simple statement of facts, the value of objects, in the production of which competition operates without restraint, may be correctly stated to arise principally from the cost of production." (16) This, he thinks, may be either capital or labour, or both. However, Bailey generally insists on the purely relative character of value, and denies the possibility of considering it as something intrinsic or absolute. He defines value as "the esteem in which any object is held" denoting "an effect produced upon the mind." (17)

He goes at length into the question of measures of value and concludes that it is impossible to have an invariable measure.

Bailey's work, while not actually advancing a subjective theory of value, is important as showing the criticism to which the Ricardian theory was subject only a short time after its publication.

Thus from a review of the writings on the subject of value in the fifty or sixty years following the appearance of the "Wealth of Nations" it becomes evident that there were really two separate current explanations of the problem. The classical labour or cost-of-production theory appeared completely dominant, in England at least, but there was really a very definite opposition to it from a group of lesser-known authors who explained value on subjective grounds.

There are really two factors in the problem, on the one hand utility and demand, on the other cost of production and supply. The classical theorists devoted their attention mainly to the supply side and approached questions of value theough cost of production; their opponents, if they may be so called, approached the question from the demand side, through utility. The difference between the two schools may be represented as being one of degree rather than kind, depending mainly on the varying emphasis given to each of the two factors, but it was none the less a very real and important one.

III.

In reading Longfield's work on Value it quickly becomes evident that he is somewhat divided in his mind between the two approaches outlined above. He begins in a manner typical of the classical method by defining Wealth, and does not even attempt to evolve a definition of his own, but merely repeats in his own words the generally accepted view:- "By wealth then, writers generally understand any of those things which satisfy the wants or gratify the wishes of mankind, and which possess an exchangeable value"(18) It is noteworthy that while Longfield does restrict Wealth to things possessing exchangeable value, after the usual manner, he does not restrict it to material goods. Otherwise there is nothing remarkable in his definition, and it would lead one to expect nothing more original than a re-statement of the classical theory.

For a time such expectations appear justified. Adam Smith's distinction of "value-in-use" and "value-in-exchange" is repeated, and the ensuing passage is redolent of Ricardo's "Principles". Having defined utility as "the power which a good has of satisfying one or more of the various wants or desires of mankind" and value as a good's "power of being exchanged for other articles", he repeats Ricardo's proposition that a good cannot have value without some utility, but that once possessed of any utility its value depends mainly on other circumstaances. Longfield states that Political-Economy (19) is more concerned with value than utility, and, in the passage in which he explains this point, he seems to be quite certain that the two can be altogether separated. Thus he makes a very curious distinction between theoretical and practical Political-Economy:--"The former is conversant about value, the latter about utility. The former ought to be considered first; it is more elementary, it admits of greater certainty, and is subservient to the latter, but not in any respect dependent upon it."(20) His idea seems to be that the determination of value can be considered in the abstract with hypothetical examples, whereas utility, being a subjective concept, brings in personal factors which are matters of practical experience. He does not seem to realise, at this point, that utility can be considered in the abstract or that there is any definite connection between it and value.

He goes on to say that "....perhaps for all practical purposes the best measure of utility is value and....there is a sophism employed in the arguments used to prove that things of equal utility may have different values, and that things of equal value may have different degrees of utility." By this, as he explains, Longfield means that for each individual utility and value are proportional to one another; exchanges ensure that everyone derives the maximum of utility from his possessions, in proportion to their value. Thus when an exchange takes place it results in a gain of utility for both parties.

In these first passages the influence of classical theory is very marked. Longfield's purpose seems to be to clear up the question of utility and dispose of it altogether before going on to deal with value, which he appears to think an entirely separate problem. At this point his conception of utility is, also,confined to the normal idea then current of general or total utility. The concept of diminishing utility is not mentioned, although at one point he speaks of"the imperiousness of desires in demanding their proper gratification" (21). The question of exchanges, however, receives more attention that it usually did from classical writers, and their purpose is well explained. This may be attributed to the influence of Whately, whose definition of Political Economy as "the Science of exchanges" is noted in this passage.

However, instead of continuing along these lines and explaining value on the basis of exchange, as it seems he might have done at this point, Longfield rather abruptly takes up the question of how value may be measured, "a thing that at first does not appear very important." (22) On this point Longfield displays a relative view-point somewhat similar to that of Bailey. "Value can only be measured by value, its quantity depands altogether on proportion(22) Consequently, as might be expected, Longfield denies that labour is a real or invariable measure of value and, like Lauderdale, he criticises Smith and other writers for having attempted to make it so. (23) Yet although labour is not a more real measure of value than any other, it is, according to Longfield, undoubtedly the best. He devotes a considerable amount of space to the attempt to prove this proposition, and confuses his theory greatly by it, but never seems to succeed even to his own satisfaction. On one or two occasions he confuses measure with cause of value, but in general he only considers labour as a measure of value and does not admit it to be the cause or source of value. That in fact he does not consider it as such is shown by a note on the subject of joint supply, which he appends at this stage. This note is not alone important in that it demonstrates this point, however. It may certainly be ranked as one of Longfield's most notable contributions to economic analysis; for the time it is a quite unusually clear and complete explanation of this important problem.(24) Longfield says that a complexity is often introduced into the estimation of cost of production by the fact that the same factors are used in the production of several different goods, sold separately, and the cost cannot be accurately imputed to each. "The difficulty of solving this question will disappear, if we attend to the manner in which the cost of production influences the price of commodities. The demand and supply regulate the price and the cost of production influences it, by confining the supply to such a quantity as can be sold at a price sufficient to repay the cost of production. But still it is the relation of the supply and demand that immediately regulates the price both of the whole and of each part." The relative value of the parts may vary with changes in demand for them, and generally any increase in the demand for one part, which does not occasion a rise in cost of production, will reduce the price of the other parts by causing an increased supply of them. Having given examples of such cases in which he analyses the secondary consequences in a remarkable manner, noting the possibilities of substitution, Longfield concludes:-

"These would be ~~an~~ instances of a change taking place in the relative values of commodities, without any alteration in their cost of production; unless by a metaphysical abstraction, not very consistent with our notion of what the cost of production is, we suppose the cost of production of an entire complex commodity, to be appropriated in different proportions to its several parts."(25)

Despite all this, Longfield appears convinced of the merits of labour as a measure of value. The peculiar fitness of it, he says, "arises from this, that in many articles such as manufactures, the entire value above that of the raw materials of which it is composed is derived from and can be measured by the labour employed about them." He does not attempt to reduce the raw materials to the labour used in obtaining them, but merely says that even of the raw material there is always some portion which is of equal value with any other equal quantity of the same commodity whose value is either derived from or can be measured by the quantity of labour necessary to produce it."(26) The part produced by labour will serve as a measure of the value of the remainder. This is a very doubtful assumption and Longfield attempts no proof of it--in fact when he repeats it a little later he says that it is unnecessary that it should be proved when no consequences are drawn from it. The ensuing passages do not compensate for this extremely weak solution to the first part of the problem; to show labour to be a satisfactory measure of value it would be necessary to show that the value of any good could be quantitatively measured by the simple amount of labour used in its production. Ricardo and his followers realised this clearly, but Longfield it seems did not, for he says that "....it may be asserted as a general truth, subject to few exceptions, that no permanent change can take place in the relative value of any two commodities without its being occasioned by some alterations in the quantity, or nature, or value of the labour required to produce one or both of those commodities, and hence the utility of frequently referring to labour as a measure of value." (26) Since, in this passage, Longfield has introduced both the nature and the value (though in what form or how measured he does not say) of the labour into the question, besides the mere quantity, the concept no longer seems to have much 'utility': in fact, it is quite meaningless.

Longfield, however, ~~does~~ seems quite oblivious of his error and proceeds to reinforce his statements by a reference to Locke, who "first observed that it was labour that put the difference of value on every thing," but he is forced to admit the validity of the objection advanced against Locke's theory that "Gifts of Nature" have value, and has to fall back on his customary excuse that labour need only measure some part of the value of a good. He then considers the exceptions to the rule in the case of goods whose value is regulated entirely by their scarcity, and glosses over the point just as did Ricardo,(27) saying that he will in future confine his remarks "to those articles whose value admits of being measured by the quantity and kind of labour necessary to produce them" (28)

At the end of Lecture II he goes on to "state something more precisely concerning value and its measures" and this brings him on to the question of profits in relation to value, but instead of becoming more precise, his explanations become yet more vague and confused. He says that the difference of value between raw material and finished product consists of the pay of the labourers plus the profits of their employers. This, he says, may be thought to introduce a new element, "but hereafter, when we proceed to consider and compare the different kinds of labour and profit we shall find that the two propositions, "that the cost of production consists of labour", or that it consists of labour and profits, are equivalent, or must be understood in the same sense." (29) In any case profits can be reduced to labour by considering them equivalent to the increased wages the worker would require if he had to wait for payment until the product were sold. This is far too simpliste an explanation, for it ignores the difficulty of fixed capital altogether, but quite aside from this, Longfield has invalidated his theory again by bringing in the pay of the labourers, which is quite a different thing, even in labour terms, from the amount of labour used in the production of the article, as Smith and Ricardo had realised.

Longfield disposes of all these difficulties by saying that "it is evident that as labour is used not as a more real measure, but as a convenient one, that when in analysing the cost of production of any article, we come to expenses of known amount, we need not go farther, and reduce them to their value in labour".(30) In this case, it seems justifiable to ask why labour need be used at all, and in this connection it is very significant to note that Longfield himself, in the example he gives to illustrate this point, values all the expenses, including labour, in terms of money!

In fact, Longfield's attempt to prove labour the 'best' measure of value is a complete failure. He makes no systematic attempt to resolve the difficulties involved, and the most he is able to show is that in most commodities some part of their value may be measured in labour terms. This may be true, but it is hardly important. Longfield is himself frequently critical of the idea of labour as a measure of value, and he practically admits that any other measure, money included, will serve as well. He quotes this passage from McCulloch:--"But however the same quantity of labour may be laid out, and whatever may be its produce, it unavoidably occasions the same sacrifice to those by whom it is performed; and hence it is plain that the products of equal quantities of labour, or of toil and trouble, must, how much soever they may differ in magnitude, always be of precisely the same real value." (31) And his comment on this is: "Now real value in this proposition can have no reference to its utility or exchangeable powers." He then goes on to prove that labour is not an invariable measure of value through time or space, and denies the possibility of the existence of such a measure. Again, having discussed wage differences, (32) he remarks "To hold that things are necessarily of equal value, in all times and places, which are produced by means of equal sacrifices of toil and trouble, is to attach to the word value a signification so abstract as to divest it of every circumstance that can render the consideration and investigation of values useful or interesting." (33)

In view of all this it is difficult to understand why Longfield should attach such importance to the attempt to prove labour the best measure of value, especially as, despite occasional confusions, he never really makes it anything more than a measure and it is, therefore, not essential to his theory at all. Certainly labour is not so 'convenient' a measure as Longfield attempts to show it to be, and in reality he never makes use of the concept. The most likely explanation seems to be that Longfield had been influenced by the classical theory, yet found himself unable either to accept all its implications or to abandon it completely. Even so, it is curious that Longfield, usually so clear a thinker, should be so constantly confused by this idea. The consequence is that labour-value remains a superfluous addition to his theory, which is perfectly comprehensible without it.

After his long and rather futile discussion of the measurement of value, Longfield proceeds to deal with the determination of exchange values. Here also he starts from a classical concept---"natural" and "market" value. This is a natural corollary of the doctrine of labour as a measure of value--- the "natural value" being the value measured by labour to which the "market value" has a constant tendency to conform. But although Longfield makes use of this idea at first he does not give it this proper classical significance; it immediately becomes evident that he attaches far more importance to market than "natural" values. To market value "the name of value more properly belongs and the former is only entitled to the name on account of the influence which the cost of producing any article exercises upon its value in exchange." This seems to be the true representation of Longfield's view of value; he goes on to say that "Value is a word that always refers to an exchange either made or contemplated. The value of any commodity is its power of exchanging for other commodities, and is to be measured by the extent of that power, that is by the amount of other commodities which can be procured in exchange for it; and any thing for which it can be procured or given in exchange will serve as a measure of its value. But there is no such quality in an article as abstract value without reference to exchange."(34) The attempt to find a "real-cost" basis for value has no real attraction for Longfield; for him value essentially has reference to exchange, and on the question of exchange values he is not confused or doubtful----he is able to explain it with evident understanding.

The first question considered is--what gives rise to exchanges? Longfield's answer to this shows the first development of his idea of marginal utility:--"However useful, or even necessary to the subsistence of man, any commodity may be, there is a limit to the quantity of it which any individual can consume, and the love or necessity of variety will induce him to part with all he possesses beyond a certain share, if by parting with it he can procure anything which can contribute more to his enjoyments." (35) The most urgent needs are those which are most easily satisfied, whilst less urgent wants are 'almost insatiable' but 'can be repressed or denied without any dimunition to our happiness.' Thus it is this need or desire for variety which causes exchange; there must be two parties to the exchange and each gains an advantage in procuring something of greater utility than what he parts with.

Having dealt with the cause of exchanges Longfield proceeds to set out "the rules which regulate the relative values of commodities." These are mainly the consequences of the general law "that every person is desirous to get as much as he can for the goods of which he disposes. This leads every man to buy as cheap, and to sell as dear as he can. The law of mutual competition does the rest." (36) Remarking as a preliminary that exchanges are effected in money, Longfield describes in detail the working of the "law of mutual competition," or the operation of supply and demand, in other words. If prices are too high the mutual competition of sellers will force them down, if too low the mutual competition of buyers will force them up. Thus the market price tends to conform to "that price which will exactly adjust the supply to the effective demand." (37) Effective demand is defined by Longfield as the demand of those who are able and willing to give the current market price for the article. Cost of production "or natural value", has also a considerable effect on price for it "regulates the supply and keeps it pretty nearly in that proportion to the demand which may produce a conformity between the exchangeable and the natural value." (38) If the supply is deficient, prices will increase and effective demand will be reduced in consequence until it is again equal to the supply. If the supply is too great the competition of sellers will bring down the price and cause an increase of effective demand until the necessary equality with supply is again attained. These considerations bring Longfield to deal with the tendency of the market values of various types of goods to conform to their "natural" values. He concludes that the tendency is much stronger in the case of manufactured articles than agricultural products, in consequence of the fact that the supply of manufactured goods can be much more quickly increased or diminished than can the supply of agricultural products. (39) Classical influence is still evident in these last remarks about natural price, but it is not the foundation of Longfield's explanation of exchanges, nor does he attach much importance to it. He has, in fact, returned to the development of the relative exchange value theory which he began upon before his digression about labour as a measure of value.

At this point, however, Longfield's theory is still incomplete; he has explained how exchange values are determined by the operation of demand and supply, and why exchanges take place. He has introduced the idea of natural values as behind exchange values, and has attempted to show labour to be the best measure of these natural values, but he has not really attempted to show it to be the source of them. Some indication of the source of value is lacking; the fundamental question -- why does value exist? -- remains unanswered.

All these deficiencies are completely remedied in the revision of the question of value which Longfield gives at the beginning of his sixth Lecture, before he commences the consideration of the distribution of Wealth. He seems to have clarified his ideas on the subject of value and brought them into an ordered form and in this revision he sets out his theory, coherent and complete.

First, he re-states his definitions of value and utility and again says that labour is a convenient measure of value, but he now admits that in the ordinary transactions of life money is used as a measure and is also a most convenient one. "There is no more ready mode of conveying a definite idea of the value of any article, than by mentioning its value as measured in money." (40)

However it may be measured, Value depends upon demand and supply; behind supply is the cost of production and behind demand is utility:--".....indirectly the cost of production of any commodity, as well as its utility, has an effect upon its price. The cost of production, by its influence upon the supply, since men will not produce commodities unless with the reasonable expectation of selling them for more than the cost of producing them. And the utility has some effect, though not so easily calculated, since it is to its utility, in the more extended sense of the word, that the demand is to be entirely attributed." The cost of production here has ceased to be the 'natural value' to which the exhhange value has a ~~consistent value~~ constant tendency to conform, but has become simply the lower limit of price in the long term, the price below which the product will not be sold at all. Longfield soon makes it clear that above this lower limit prices and values are regulated by utility, operating through demand. "I think it expedient" he says "to make a few remarks upon the nature of demand, and its influence upon price and value." And in these few remarks he sets out the whole theory of marginal utility with extraordinary completeness.

It is not the usual case of the desires of a single person which is first considered, however, but the alternative one of the demands of all possible"demanders" of a single commodity; consequently the whole analysis is conducted in terms of 'intensities of demand'. "The measure of the intensity of any person's demand for any commodity is the amount which he would be willing and able to give for it, rather than remain without it, or forego the gratification which it is calculated to afford him." First, Longfield remarks that a demand may exist which is not sufficiently intense to affect prices at all, but although a demand may not be sufficiently intense to bring about an actual purchase, it may have some effect on price if it would lead to a purchase when a slight reduction of price takes place. "Such a demand always does exist, and has an effect in keeping up prices, exactly similar to the bidding at an auction of the person whose bidding is next in amount to that of the actual purchaser."

On the other hand, there may exist "an excess of intensity of demand"--the demand of those persons who would pay more than the current market price if necessary. High prices in times of scarcity prove the existence of this 'latent intensity of demand.' This contains the germ of the idea behind Marshall's Doctrine of Consumer's Rent, but it is noteworthy that Longfield only considers this a latent intensity of demand, and does not suggest that it always exists or can be estimated. In the argument of this passage some resemblance to Böhm-Bawerk's concept of the "marginal pairs" is also perceptible.

Having thus established the notion of a scale of intensities of demand, Longfield proceeds to explain, in a remarkable passage, how it is the marginal demand which determines prices:-

"For provisions and other articles of greater or less necessity the intensity of demand among different persons varies according to the sacrifices of other objects which they can conveniently afford to make; and yet all will effect their purchases at the same rate, viz. at the market prices, and this rate is determined by the sum which will create an equality between the effectual demand and the supply. Now if the price is attempted to be raised one degree beyond this sum, the demanders, who by the change will cease to be purchasers, must be those the intensity of whose demand was precisely measured by the former price. Before the change was made, the demand which was less intense, did not lead to a purchase, and after the change, the demand, which is more intense, will lead to a purchase still. Thus the market price is measured by that demand, which being of the least intensity, yet leads to actual purchases."(41) It is noteworthy that the first sentence of this contains the idea of the "Principle of Indifference", and apart from the fact that the actual word "Margin" does not appear, this passage might well have been taken from any modern text-book written on marginal lines.(42)

Having considered the case of demand as a whole for a particular commodity, Longfield extends his analysis to the case of the wants of a particular person. The passage in which he explains this is such a remarkable anticipation of the later work of Jevons and the Austrian school thet it deserves to be quoted in full---

"But the intensity of demand varies not only in different places, and among different individuals, but in many cases the same person may be said to have in himself several demands of different degrees of intensity. Of this there is a very palpable example, when provisions, owing to their scarcity or abundance, sustain a change of price. When they rise, a diminution of consumption is the effect. But the manner in which this diminution of consumption takes place usually, is not by the total abstinence of some from food, while the rest consume their accustomed portions. On the contrary, all continue to eat , as they must, or else cease to exist; but none except those whose wealth renders them indifferent to the price of their food, consume as much as usual. With every decrease of the total supply within the country, a corresponding diminution in the consumption of the great mass of individuals must take place. But the proximate cause of this diminution in the consumption of each individual, is the rise of prices which the scarcity produces. Now that portion which any person ceases to consume in consequence of a rise of prices, or that additional portion which he would consume if prices should fall, is that for which the intensity of his demand is less than the high price which prevents him from purchasing it, and is exactly equal to the low price which would induce him to consume it. On the other hand, for that portion which, notwithstanding the high prices, he continues to consume, he must have had a demand, the intensity of which was at least equal to those high prices which did not prevent him from purchasing it. Carry on this train of reasoning in your minds through successive degrees of scarcity and consequent high prices, and you will come to the conclusion, that each individual contains as it were within himself, a series of demands of successively increasing degrees of intensity; that the lowest degree of this series which at any time leads to a purchase, is exactly the same for both rich and poor, and is that which regulates the market price; and that in the case of the rich man, the series increases more rapidly, that is to say, the intensity of his demand increases more rapidly in proportion to the diminution of his consumption, than in the case of the poor man. I have chosen the example of provisions as being the most obvious and palpable, and as most frequently affording an instance of the principle which is illustrated ; but the same observation is equally true, although not so strikingly, in every case in which a diminution of supply would occasion a diminution of any individual's consumption, without leading him to give up the use of the article altogether." (43)

Thus Longfield's theory of value is completed, and this is the theory which forms the basis of the rest of his work, and to which he looks for a guide to the solution of every economic problem. It is essentially a theory of relative values--the notion of real value is passed over. Hence, the value is adequately expressed by exchange relationships--in other words, by money prices. In the first instance it is determined by demand and supply. The factors behind these are, on the demand side, utility, and on the supply side, cost of production and scarcity. For the individual, value is determined by marginal utility or, in Longfield's phrasing, by the intensity of his demand for a given amount of a commodity; this, in turn is affected by the intensity of his other competing desires. Viewing demand as a whole, it is the marginal purchaser, whose demand is least intense, yet still effective, who determines the market price. Thus, given supply, as determined by cost of production, price is determined by marginal utility.

This view of value sets Longfield apart from the classical school, and stamps him as a member of thet "opposition" party of theorists, the "Dissenters", as Miss Bowley has aptly names them, (44) who rejected the labour or real-cost approach to value. But while Longfield may be classed as belonging to this group, his theory sets him apart from its other members too, because of its very completeness. It may fairly be said that no other writer of the opposition group advanced so full and complete an explanation of the utility theory as did Longfield. Other "Dissenters" perceived the importance of utility in a general sense, and some few, notably Lloyd and Senior, reached as far as the conception of diminishing utility, but none advanced so accurate and detailed an explanation of the role of marginal utility in the determination of price and value as did Longfield.

IV.

Longfield had in fact set forth the essentials of the marginal theory, and used it as a basis for a new theory of Distribution, thirty-six years before Jevons wrote his "Theory of Political Economy". Yet this seems to have gone almost unnoticed; indeed the theory of value, the most important of all Longfield's theories, received even less attention than other parts of his work. This may have been due to the fact that most of his contemporaries and immediate successors did not comprehend its true significance; it was too advanced for the time. When the marginal theory did become prominent, Longfield's work was forgotten and Professor Seligman seems to have been the first to draw attention to the importance of his theory of value(45).

This seems to be accounted for chiefly by Longfield's comparati obscurity and lack of reputation as a writer on Political Economy and by the fact that he made no claim to have invented a new theory of Value or even to have improved on old ones. Had he made such a claim, it might have been rejected, but when he made no claim at all it was perhaps only natural that he should receive no credit. Only in Ireland did his theory receive any recognition; here for a time it created something of a sensation. The reviewer in the "Dublin University Magazine" (46) approved Longfield's theory and himself held a similar one. His one criticism was that Longfield should have made exchanges depend on value, based on utility, instead of making value depend on exchange. This appears to be a mere verbal quibble, for Longfield did make exchanges depend on utility, but rightly called value the expression of utility in exchange terms.

Only one really critical voice was raised--by one "A.Z." who wrote a letter attacking Longfield's theory in the next issue of the magazine. "A.Z." took an extremely mechanistic view of value, being even more rigid than the most rigid Ricardian. He considered that demand was a fund of money and Longfield's idea of a man having "different intensities of demand within himself," was to him complete nonsense. He quotes the relevant passage [~~with the scornful passage~~] with the scornful comment "Is this intelligible?"

Apart from this one attack, the theory was received with great approval in Ireland, but this could not compensate for its lack of influence in the more important fields of Political Economy.

Whilst Longfield's theory had but little influence on his contemporaries, it may equally be said that his contemporaries had no more influence on him in its evolutions It is extremely difficult to determine from his published work alone just what authors he had read or come into contact with from time to time, for he is as sparing in his acknowledgements as any other writer of this period. One may say with safety, however, that, besides Adam Smith, he had studied Ricardo, Say, Torrens, McCulloch and Whately. He may have met Senior when the latter was in Ireland and talked with him over economic problems, but he does not seem to have had access to the "Outline of the Science of Political Economy" before its publication, as, apparently, Whately and Lloyd had.

The early parts of Longfield's Lectures on Value owe much to Ricardo and not a little to Whately, but his final evolution of his theory appears to have been the result of entirely independent thought (47)--there is certainly no evidence to the contrary--and for this reason it is all the more remarkable.

Thus while Longfield may be, and usually is, grouped with the "Dissenters"--the forerunners of subjective theory--in the history of the economic theories of the early 19th. century, his theory of value really stands alone, for it differs to some extent from every other theory then current.

After so unusual and original an opening, a new development of the theory of Distribution seems a natural corollary.

SECTION III.

THE THEORY OF RENT.

(The theory of Rent is discussed by Longfield in two of the "Lectures on Political Economy" - Nos. VI. and VII. These open the analysis of the Distribution of the Joint Product between the factors of production).

* * * *

Whatever the originality of his analysis of Distribution, Longfield broke no new ground by commencing it with a discussion of Rent. In common with his predecessors and contemporaries, he looked upon this source of revenue as a surplus element in the total product, to be eliminated first before proceeding to deal with the more important problems of the division between the other factors, capital and labour.

Indeed so closely does Longfield follow the classical method in this instance, that it is only its relation to the rest of his Theory of Distribution and the manner in which he develops the subject through his value analysis, which makes his explanation of Rent worthy of any special notice. Longfield himself shows clearly at the very outset of his treatment of this question that he does not consider it as one of any great importance:-

"This analysis I shall enter upon, merely for the purpose of disengaging the cost of production from this element of complexity, and thus of rendering questions concerning wages and profits more simple, by freeing them from a source of confusion and vicious reasoning, in circles to which they are particularly liable. Indeed it is impossible to comprehend clearly, many important questions relating to wages and profits, and to the effects which our institutions, by affecting these, may have upon the happiness of the people, and the general prosperity of the country, without first examining the nature and source of rent,and the circumstances in which it originates, and which determine its amount." (1).

The conception of Rent as a surplus is clearly displayed in this passage, and this method of treating the question was essentially a consequence of the nature of the classical rent doctrine.

There may be said to be two main problems involved in the theory of Rent - firstly explanation of the existence of rent, and secondly, explanation of the movements of rent in the course of progress. The first may again be sub-divided into two parts - the problem of the existence of absolute or scarcity rents, and relative or differential rents caused by differences in the quality of land. The classical theory of rent tended to concentrate attention on this differential aspect of the problem of existence of rent and the theory of movements of rent was developed accordingly.

This particular approach to rent theory was largely a result of the agricultural situation in England at the end of the Napoleonic Wars, which brought questions of land and rent very much into the public eye. The Wars and the French blockade had produced a great rise in the price of corn with a consequent development of the area of land under cultivation and an equally great rise of rents. In the immediate post-war period this situation produced a violent controversy over the question of the relative merits of Free Trade and Protection. Free Trade on the one hand was advocated as the only means of securing a low price of corn and a plentiful supply, while on the other it was opposed as being certain to put land out of cultivation and bring about the ruin of farmers and landlords alike.

The political economists of the time were deeply interested in the question, for, however abstract their methods, the members of the classical school could never be accused of ignoring practical issues. Accordingly their attention was inevitably directed towards problems of agriculture and land-holding and it was perhaps only natural that they should find an explanation of the phenomenon of rent in the conditions which they saw about them.

Although the question is a disputed one, it seems that the credit for first stating the theory of Rent in its classical form must be given to Sir Edward West, who in 1815 published a pamphlet "On the Application of Capital to Land" under the pseudonym of "A Fellow of University College, Oxford". In this he laid down that "It is the diminishing rate of return upon additional portions of capital bestowed upon land that regulates and almost solely causes rent".".......... it is the necessity of having recourse to inferior land, and of bestowing capital with diminished advantage upon land already in tillage, which increases rent. Thus, if in case of any increased demand for corn, capital could be laid out to the same advantage as before, the growing price of the increased quantity would be the same as before, and competition would, of course, soon reduce the actual price to the growing price, and there could be no increase of rent. But on any increased demand for corn, the capital I have shown, which is laid out to meet this increased demand, is laid out to less advantage. The growing price, therefore, of the additional quantity wanted is increased and the actual price of that quantity must also be increased. But the corn that is raised at the least expense will of course, sell for the same price as that raised at the greatest, and consequently the price of all corn is raised by the increased demand. But the farmer gets only the common profits of stock on his growth, which is afforded even on that corn which is raised at the greatest expense; all the additional profit therefore, on that part of the produce which is raised at a less expense goes to the landlord in the shape of rent". (2).

While its existence had been remarked before (notably by Turgot) this was the first occasion on which the famous principle of Diminishing Returns was made the basis of a theory of rent. Cast in the form which West gave it, the theory was a natural deduction from the agricultural conditions of the time and indeed West used it for the purpose of "shewing the Impolicy of any Great Restriction of the Importation of Corn". Yet so well did it account for the existence and increase of rents that it very soon came to be regarded as virtually the only explanation of the question. Malthus, although he championed the landlords and advocated Protection, expressed a view identical with that of West in his "Nature and Progress of Rent", published almost simultaneously with the "Essay on the Application of Capital to Land." It was Ricardo, however, who put the theory in its true classical form and caused it to go down in history under his name. West had said that the law of Diminishing Returns "almost solely causes rent"; Malthus had included it as one of three causes, (3) but Ricardo endeavoured to make it the sole cause of the origin and increase of rent. This was indeed essential not merely to his arguments for Free Trade, but to the whole structure of his system of Political Economy, for by this means only could he eliminate land from the sources of value, making rent a pure surplus revenue, and so maintain the labour theory.

As has been noted in connection with that theory (see above. Sect.II), Ricardo held that the price of corn was regulated by the amount of labour required to raise corn under the most disadvantageous circumstances, i.e., on the worst soil in cultivation. He postulated an identity between this cast and price, and held that rent was simply the difference between this and the cost of raising corn on more fertile land. Hence the famous conclusion that "rent does not enter into price".

Thus if the classical explanation of rent originated in the circumstances of England in 1815, it was perpetuated because of the labour theory of value. This had important consequences as regards the character of Rent theory for it entirely excluded the consideration of rent as a scarcity phenomenon from the question and made it purely a differential surplus. Hence, paradoxically, the basis of the theory was at once narrowed and extended - narrowed in that the consideration of land rents arising from other causes than the "necessity of resort to inferior soils" was excluded, extended in that the way was left open for the explanation of other differential surpluses arising from special circumstances as "rents". However, the natural consequence of this view of rent as a surplus was that it came to be regarded as the least important element in Distribution.

As has been remarked, Longfield concurred in this view, and he does in fact give an explanation of differential rent so closely similar to that of West and Ricardo that it requires no detailed examination here. A few special points in it are of interest, however. In the first place, Longfield makes clear that increase of rent takes place in consequence of an increase of population which, through increased demand, raises the price of corn to such a level that it is profitable to undertake the cultivation of inferior soils, or to make further applications of labour and capital to soils already in cultivation. He contradicts the view "very boldly asserted" by Miss Martineau, among others, that it is actually the cultivation of inferior soils which produce rent. "Rent is not caused by the cultivation of inferior soils. It is caused immediately by the high prices, which occasion a great part of the produce of the earth to sell for more than the cost of raising it". The emphasis on the demand aspect here shows how Longfield expounds even the classical theory in accordance with his own value analysis.

On this question Longfield also makes some comments on price and the limiting cost of production, which are of some interest as they provide virtually the only mention in his work of the problems of production and "supply price". Longfield has said that cost of production affects supply by limiting it to such an amount as can be sold at a price which covers the cost; on this one occasion he elaborates that idea somewhat and indicates his view as to what level of cost is the actual limit to production. "It is not enough" he says "that the price of all the corn he (the farmer) raises should pay the expense of raising it. In order to induce him to raise the increased quantity, it is necessary that the price of the additional portion thus raised should repay him the addition of expense which it has cost him. "In other words, not only the average but also the marginal costs must be covered. "What is really necessary and sufficient is, that the price of the produce raised by the last outlay or expense shall be sufficient to repay that expense, with common profits. If it is less the farmer will make a greater profit by avoiding this outlay, which is not recompensed by an equivalent increase of produce."

The case of constant cost also receives mention:- "Whatever theory of rent is adopted, this general principle should be borne in mind, that agricultural produce cannot sell for more than its cost of production, as long as there exist ample unemployed means of raising further produce at the same cost" (4).

These comments show an interesting appreciation of the relation of cost to price under different circumstances, but their importance must not be over-estimated - they are incidental to the theory of rent and it would be unwarrantable to attempt to give them a wider significance. The first case is merely an interpretation of the Ricardian doctrine of resort to inferior soils", and the conclusion is dependent on the assumptions of that doctrine. In point of fact, Longfield never really faces the problem of whether, or in what circumstances, the limiting cost of production is average or marginal. Nor does he deal specifically with the related questions of aggregate and marginal profits, although he does say in this example that the marginal outlay must be"repaid with common profits." It may be suggested however, that he showed a noteworthy appreciation of the existence of these problems and that had he had occasion to give them a direct treatment he might have made some very significant additions to the theory of production. (Cf. also the treatment of the question of joint costs and joint demand, above, Sect. II).

II.

These points, however, are merely incidental to the explanation of differential rent, and make no essential changes in it. The really important fact is that Longfield's theory of rent is not confined merely to this aspect of the problem - the classical explanation of rent is only a part of it.

Longfield's theory does not commence from the classical basis of the existence of soils of different degrees of fertility; instead the starting point is Longfield's characteristic and invariable one - the basis of value. The first question which he poses is why a price must be paid for the use of land "while the air, the sun, the sea, the light, afford their assistance gratuitously to man." "It will at once be answered, because the earth, unlike the other elements, is limited in quantity, and is appropriated, or at least is capable of being appropriated, or made the subject of exclusive property." Proceeding from this to consider "What is it that settles the amount of rent" he says that "To this it may be answered, that rent is settled by contract, and that the use of land, like any thing else, is made the subject of exchanges, and that the rent of land is therefore subject to the operation of the common principle of demand and supply, and that some land is set for a higher rent because its fertility or situation gives it an advantage over the cheaper farms. ....We may suppose that every landlord is anxious to get for his land as much as any solvent and respectable tenant can be induced to give, and that the tenant is anxious to get the farm as cheap as he can; and mutual competition will determine the rest." (5)

Having thus based rent on the operation of demand and supply Longfield explains the meaning of these terms in the special case of land. The supply consists of "the entire quantity of land in the kingdom", while the demand is created by the productive powers of land. Its produce "generally sells for more than is sufficient to pay for the labour of producing it, with the usual profits" and so "this surplus is demanded by the landlord, as rent for the land to which it is owing."

There is an interesting resemblance here between Longfield's view and that of Smith and Buchanan, who wrote before the classical differential doctrine was evolved. Smith considered that "land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus too is always more than sufficient to replace the stock which employed that labour, together with its profits. Something, therefore, always remains for a rent to the landlord."(6) Smith never demonstrated very convincingly just why this surplus should exist, but Buchanan, Smith's editor, developed the idea in a very significant fashion, turning Smith's surplus of produce into a surplus of money revenue:-

"The high price which leaves a surplus or rent to the landlord, after paying wages and profit, being no way necessary to production, must be accounted for on a different principle; and it seems accordingly to arise from the comparative scarcity in which articles that yield a rent are generally produced........where a commodity is sold at such a price as to leave a surplus after paying all the necessary expenses of its production, it will always be found that this high price is required to proportion the consumption to the supply" (7). This explanation of rent on a scarcity basis seems never to have attracted much attention; it was evidently eclipsed in the spread of the classical doctrine. Longfield, working from the standpoint of demand and supply arrived at very much the same conclusion, however, the surplus which is rent occurs because the selling price of the corn more than pays wages and profits. It is in fact a price for land, and a price arising from scarcity primarily.- the differential aspect is not an essential part of the argument.

Differential rent may indeed be said to be a result of the scarcity of agricultural produce in relation to population which gives rise to the necessity of resorting to inferior soils, but Longfield's theory is not confined to this alone, but also includes the possibility of simple or absolute scarcity rents.

Again in considering the question of whether rent forms one of the component parts of price, although he follows Ricardo in contending that it does not, Longfield does not use the classical method to prove this, but instead uses a proof which is an extension of his own demand and supply analysis. His argument is that rent forms no part of the cost of production, "at least in such a sense as to affect prices", for the cost of production only indirectly affects price by limiting the supply to an amount which can be sold at a price sufficient to cover this cost. "The circumstance that a man has to pay a high rent for his farm, will not make it his interest to produce less abundant crops......he cannot expect to raise the prices by his own single resolution of not producing the usual supply". In any event, the farmer must take the price of produce as given and endeavour to cultivate his holding in the manner which will give the greatest surplus of return over total costs. "The average amount of what this surplus is, on the supposition that the cultivation is conducted with average skill is what the landlord may reasonably demand for rent" (8) Rent, then, can never affect the amount of supply, and so can never influence price.

"We may, therefore, consider those two principles as fixed, namely, that rent has no influence upon the price of agricultural produce, and that the rent or annual value of land, like the value of other things, is determined by circumstances, over which the contracting parties, who in this case are the landlord and tenant, can exercise no control. For when once a man is in possession of land, whether as tenant or proprietor, the cost of production, as far as it can affect prices by affecting the supply, must be those expenses merely which vary with the manner in which he cultivates his farm, or with the amount of produce he raises on it, and therefore a fixed charge upon the tenant cannot alter the supply" (9).

This explanation of the relation of rent to price has the advantage over Ricardo's that it does not involve the hypothesis of an identity of price with cost (10). It is in fact an explanation consistent with Longfield's theory of value and therefore also with his view of rent as not of necessity merely differential.(11).

There is another important difference here between Ricardo's analysis and Longfield's, for while Ricardo dealt with what may properly be called "economic" rent, thinking of a differential advantage rather than an agreed payment, Longfield refers to contractual rent. This was perhaps natural for a man who was a property lawyer before ever he became an economist, but it makes a very significant difference between his theory of rent and the classical. It puts the whole argument on a narrower footing and goes far to account for the fact that Longfield never made any attempt to generalise the theory of rent, but confined it strictly to the case of land.

The contrast between Longfield's explanation of rent as a contract price and the classical Ricardian doctrine of differential economic rent is most clearly demonstrated in Longfield's statement of the causes of rent:-

"These three causes..........may be said to regulate and produce prices and rent. 1st. The supply of land being limited. 2nd. The different degrees of fertility of different soils. 3rd. The power which land has of yielding a greater produce, provided an additional quantity of labour and capital be applied ot its cultivation; this increase of expense however, bearing to the preceding outlay a greater proportion than the increase of produce obtained by its means will bear to the preceding total amount of produce." (12).

There is here no attempt to reduce the causes of rent to one after the manner of Ricardo. In fact Ricardo's "one exclusive cause" (13) is placed in a very subsidiary position - the last of three. Longfield indeed only regards the existence of soils of varying degrees of fertility as one aspect of the rent problem. Up to this point, however, although he has developed his analysis from the basis of scarcity, Longfield has not definitely made the point that rent may be a <u>pure</u> scarcity price. He has been considering not so much the scarcity of land itself as the scarcity of its products - an approach quite consistent with the view that rent is wholly a <u>differential</u> scarcity phenomenon. Now he develops the important idea that it can be an <u>absolute</u> scarcity phenomenon, entirely caused by limitation of the supply of land:-

"Of these causes it is to be observed that the first alone would be sufficient to produce rent. If all lands were of equal fertility, and up to their highest point of cultivation, yielded a produce exactly proportional to the expense of raising it, still prices might rise so high as to enable land to yield a rent. Whatever is useful and is limited in quantity, is capable of possessing value, if it can be made the subject of exchange and it will be valuable if the quantity is less than what would be consumed, even if every man were to get as much as he desired gratuitously."

This is perhaps the most striking comment in the whole of Longfield's writings on rent. Nowhere else is the contrast between his approach and the orthodox classical one so marked. Rent is shown with the utmost clarity to be a price for land determined on a demand and supply basis. The conception of Diminishing Returns figures as one of the factors in the determination of that price, not as the sole and complete explanation of the whole question of rent(14). Longfield treats it more as a cause of the increase of rent than as a cause of its existence. His view of Rent is indeed remarkably well-balanced - he realises the importance of the Ricardian doctrine but is not obsessed by it.

It may be said that in this respect Longfield's theory of Rent shows a closer correspondence with the work of modern writers than with that of his contemporaries. It is a remarkable fact that the example which he gives to illustrate the possibility of pure scarcity rents (a society where all land is of equal fertility, but limited in quantity) finds an almost exact parallel in the writings of Pareto and Cassel.(15).

III.

In view of his unusual development of the Theory of Rent, it is hardly surprising to find that Longfield's conception of the movements of Rent (both individual and aggregate) in the course of progress also differs considerably from orthodox classical ideas. He denotes a considerable part of his second Lecture on Rent to this problem; (16) taking first the question of the effect of agricultural improvements - an issue much discussed at this period.

Ricardo held that improvements would of necessity diminish rents, by lowering the price of corn and so making unnecessary the cultivation of inferior soils which caused rents on the better soils. (17). As he viewed the "need for cultivation of inferior soils" as the sole cause of increase of rent, Ricardo could take no other view but this. It met with strong criticism, however, notably from the Rev. Richard Jones, who in his "Essay on the Distribution of Wealth", (18) strongly attacked the whole Ricardian rent analysis. Particularly he inveighed against Ricardo's attempt to reduce all causes of rent to one, and it was in this connection that he criticised the idea that improvements must reduce rent. He considered Ricardo's assumptions to be out of accord with fact ; they involved a universal introduction of the improvement, giving increased produce without any increase of population. "It is only necessary to remember the slowly progressive manner in which agricultural improvements are practically discovered, completed, and spread, to perceive how very visionary this supposition of Mr.Ricardo's really is." (19). Jones himself considered that increase of population would keep pace with the spread of improvements so that rents would be maintained, and indeed increased thereby.

In point of fact, there was no real contrast between the views of Jones and Ricardo. The latter, in this, as in every other case, took a static theoretical viewpoint, while Jones used a dynamic practical approach. Ricardo assumed universal introduction of improvements and held, quite correctly, that this would reduce rents, but freely admitted that increase of population as a secondary consequence might cause rents to rise again after a time. Jones instead assumed the two influences to be contemporaneous and balancing trends.

Longfield clearly realises the actual difference between the two approaches and brings it out admirably in his own analysis of the question. Quoting the Ricardian view, he comments that "This startles some, and they cry, do you infer that agricultural improvements are injurious to the landlord, and diminish his rent? That is contrary to all experience" (20). He points out that in fact this argument "does not apply to the supposition against which it is directed"; were improvements suddenly and universally adopted, the immediate effect undoubtedly would be a fall of rents, although this might subsequently be counteracted by increase of population. However, "the universal introduction of an improvement is an imaginary case" and what actually happens is that improvements spread gradually and the increase of population keeps pace with them, so that rents are maintained or even increased in amount. "But" he says, "primary and secondary causes and effects ought not to be confounded"; and the "imaginary case" is perfectly true within the limits of the assumptions involved, although it does not express the actual development of events.

Thus although Longfield agrees with Jones in holding that improvements do not lower rents, he takes a much more balanced view of the matter, realising that Ricardo's case is an abstract one, and valid as such. This gives an excellent example of the clarity and precision of Longfield's economic thought. He realises the limitations of the theoretical method but sees also the validity of its conclusions within those limits, and the necessity of employing it for adequate dissection of "primary and secondary causes and effects". Ricardo, as Mr.Keynes has most truly said, "offers us the supreme intellectual achievement, unattainable by weaker spirits, of adopting a hypothetical world remote from experience as though it were the world of experience, and then living in it consistently"(21). Jones on the other hand had a practical mind and a genius for observation, but Longfield could see the importance of both the theoretical and the practical aspects without either confusing them or losing sight of their essential relationship to one another.

Even though he holds that improvements and inventions will not decrease rents, Longfield is not of the opinion that rent increases in proportion to other sources of revenue as society progresses. This view was always taken by Ricardo and his followers, who held that as population increased rent must rise steadily and rapidly and take an ever-growing part of the social product.

Longfield states his view on the matter when he refutes an argument used by Torrens in his "Essay on the Production of Wealth" (22) to prove the theory of diminishing returns from land. Torrens attempts to prove that as cultivation is extended, and rent thus increased in total amount, the landlord receives a diminishing proportion of the total produce, and that this fact in itself proves that successive equal doses of labour and capital applied to land produce diminishing returns. Longfield points out that there is no necessary connection between these two propositions, and shows Torren's argument to be fallacious. (See the Appendix to this section for a detailed account of the argument). Yet, he declares, Torrens is quite correct in stating that the landlord's proportion of the product is a decreasing one, although his proof of the fact is erroneous and although most writers have arrived at the opposite conclusion.

Longfield's proof of this unorthodox contention is the basis for his most important conclusion on the subject of Diminishing Returns. As he himself admits, he does not state it very clearly, but he seems to be quite sure of its implications in his own mind. His theory is that "........the portion of produce which is raised by the last application of labour and capital to land, bears a considerable, and with the progress of population, an increasing ratio to the total amount of produce which was raised before such last application of labour and capital took place." (23).

"First", Longfield explains "it is to be remembered that the capital most productively expended, is not necessarily most productive when referred to its total produce," and this is also true of land of different degrees of fertility. Thus if a field of land of the highest fertility yields 100 quarters of corn, but there are only 100 such fields in the country, the total produce of such land will only amount to 10,000 quarters, but

"Let a field of equal extent of the next degree of fertility yield to similar cultivation only 80 quarters, but let there be in the country 1,000 field of such fertility and the total produce of land of the second degree of fertility will be 80,000 quarters, being equal to four times (sic) the produce yielded by land of the first degree."

Longfield sums up his observations on this question by saying that, if "resorting to inferior soils" be understood to mean every method of obtaining produce at greater expense, then: "Adopting this form of expression, we should say, that as population increases, resort must be had to inferior soils for the necessary supply, and that the amount of soil of the last quality under cultivation is so great, that its produce exceeds that of all the other soils". (24). Hence Longfield concludes that although rent must increase in absolute amount, it declines as a proportion of the total produce, for the absolute amount of this grows more rapidly than the amount of rent.

This idea really amounts to the abandonment of the assumption, implicit in all classical explanations of Diminishing Returns as affecting Rent, that the various soils of different degrees of fertility were of equal extent, or the successive applications of capital of equal amount. In comparing the classical argument used to demonstrate that rent forms an increasing proportion of the produce with Torrens' "erroneous argument". Longfield himself points out the existence of this "covert assumption" in Senior's statement of the theory. (25). As shown in the Appendix to this Section, this amounts to representing Diminishing Fertility as a continuous straight line curve, whereas Longfield's theory represents it in the form of a discontinuous line, declining at increasing intervals. This alteration of the classical case (which was neither necessarily nor actually valid) makes a very significant difference to the interpretation of the "Law" of Diminishing Returns. It does not overthrow it, but it shows its operation to be greatly modified by circumstances, so that, in Longfield's own words, "the cost of production of corn, if it increases at all, must increase very slowly and........with each step a greater increase of population must arise to create the necessity of taking another step." (26)

Hence Longfield's apprehension of the unreality of the assumptions involved in the classical statement of the "progress of Rent" enabled him to take a much more optimistic view of the importance of Diminishing Returns for society, and to bring it into his analysis of rent as a significant, but not absolutely dominant factor.

It is in this fact that the chief importance of Longfield's theory of rent lies. Chiefly on account of the special character of his theory of value, he adopted a rather unusual approach to the question of rent and was able to view it as being properly a price for the use of land. He may certainly be ranked as one of the first authors to point out that rent could be a pure scarcity price, unconnected with diminishing returns, and he was able to perceive this because he was not, like Ricardo, deceived by the idea of an identity between cost and price. So he was able to consider absolute as well as differential rent, and had not to reduce the causes of rent to one, as Ricardo tried to do. Consequently he was able to improve also on the classical explanation of the effects of improvements, and, especially, diminishing returns.

Despite these interesting advances, Longfield's rent theory is essentially the same as the classical theory. While he is not specially concerned to eliminate Rent as a source of value, he nevertheless regards it as a 'surplus' revenue and gives it a subordinate position in his theory of Distribution. Further it may be noted that he never seems to perceive the possibility of generalising the theory of Rent and applying it to revenues for other sources besides land.

Yet his theory also shows something of the influence of such critics of the classical doctrine as Jones and Chalmers (27) particularly as regards Diminishing Returns. The most important idea on this latter subject which Longfield puts forward seems to be entirely his own, however, and certainly deserves more notice than it ever appears to have received.

To sum up then, it may be said that while Longfield did not contradict or overthrow the classical rent theory, he left the stamp of his own peculiar economic genius on it, making it essentially a development of his theory of value.

APPENDIX TO SECTION III.

TORRENS' "ERRONEOUS ARGUMENT TO PROVE THE CONTINUALLY DECREASING POWERS OF THE SOIL."

* * * *

This whole question depends on the interpretation of hypothetical numerical examples, which can best be presented in a condensed form with the aid of diagrams.

Torrens' argument can be summed up as follows:-

"1st.Application"

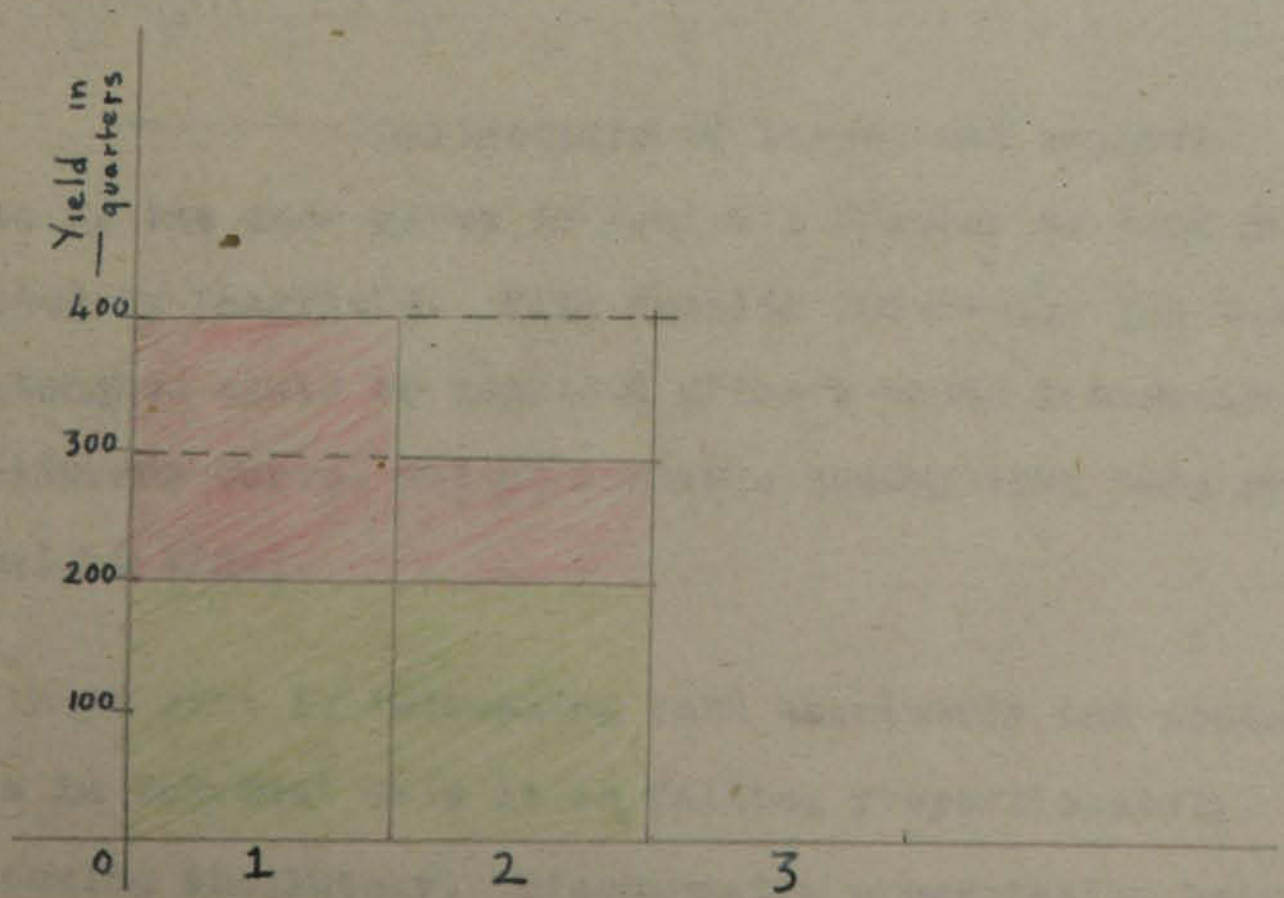
100 labourers raise		400 qtrs. of corn
Wages and profits	=	200 " " "
		200 available as rent.

"2nd. Application"

Suppose 200 labourers could raise		800 qtrs.
Wages and profits	=	400 "
		400 would be available as rent.

But actually 200 labourers can raise only	700 qtrs. (say)
Wages and profits (still)	400 "
	300 " only left for rent.

Diagrammatically this appears as in fig.1:-



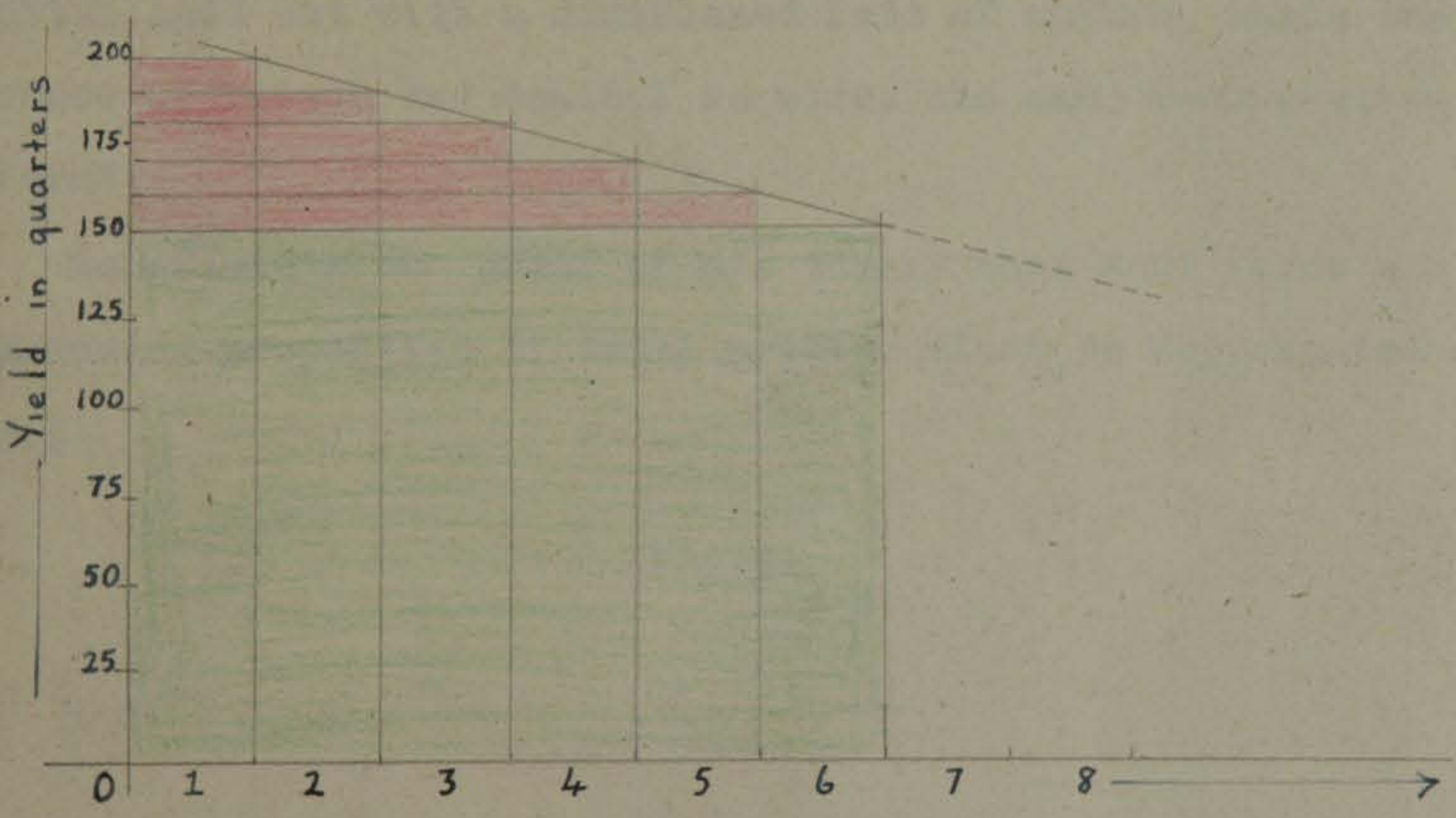
Applications of labour and capital.

On the other hand the classical doctrine as stated by Ricardo and Senior is in the following form:-

Equal successive applications of labour and capital to a piece of land produce the following result:-

1st. Application. yields 200 qtrs - no rent.
2nd. " " 190 qtrs and rate of profits is altered, accordingly giving rise to 10 qtrs. rent. (on No. 1)
3rd. " " 180 qtrs and gives rise to 30 qtrs. rent (on Nos. 1 & 2).
4th. " " 170 qtrs. " " " " 60 qtrs. rent (on Nos. 1, 2, 3).

and so onwards. This may also be represented on a block diagram as in Fig.2.



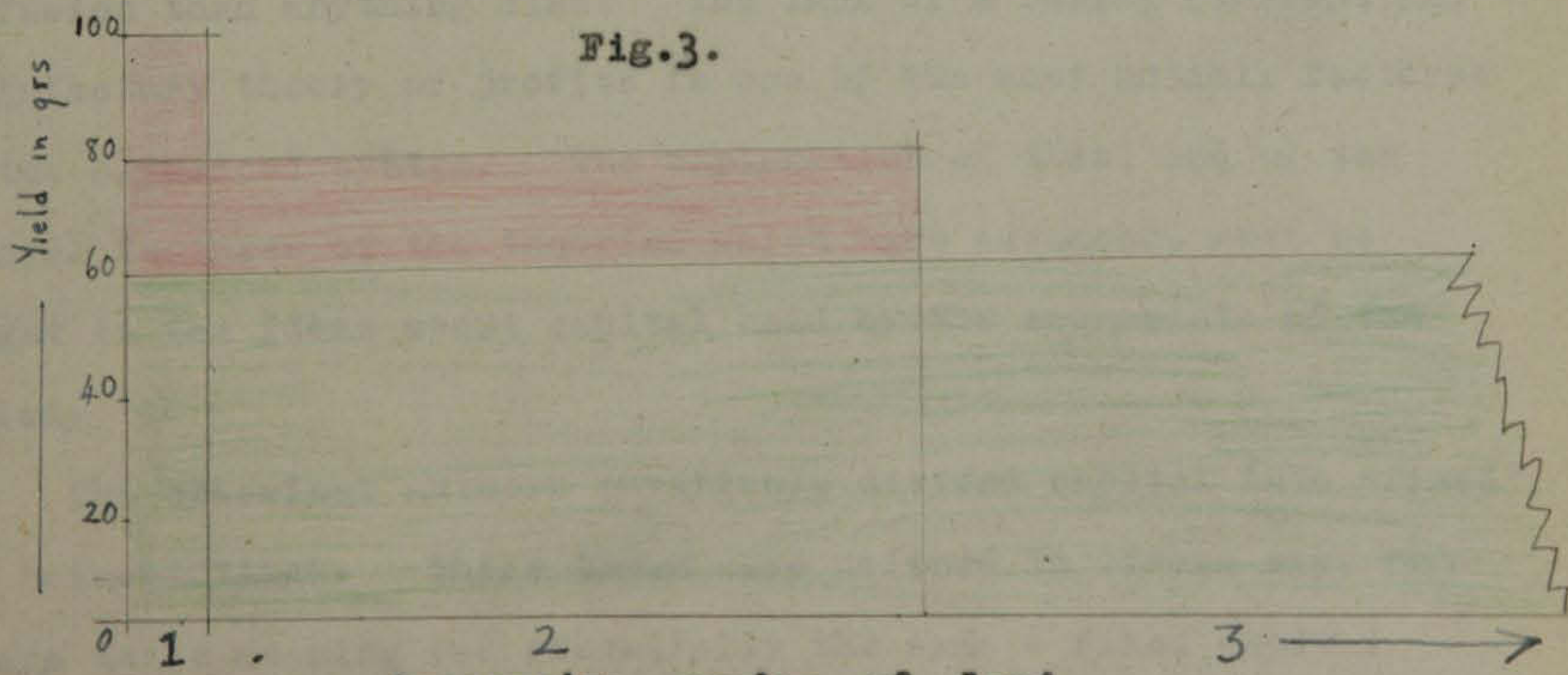
Applications of labour and capital.

(This is the case given in Senior's "Letter to Lord Howick" and quoted by Longfield. With smaller intervals, the tops of the rectangles could be replaced without undue inaccuracy by a continuous curve, and on Senior's assumptions this would be a straight line).

Here rent is increasing both absolutely and proportionately, while in Torrens' case it is falling proportionately, though increasing absolutely. Diagrammatic presentation brings out clearly the difference between these two cases which enables Torrens to reach this conclusion. Senior's case (and Ricardo's also) presumes that with each successive application there is a change of prices and profits such as to make the lower return to the application of labour and capital a remunerative proposition, which it was not before. In Torrens' case there is no such presumption - costs continue at the same level, yet the lower return still yields a surplus. This is certainly a wrong interpretation of the classical theory of rent; as Longfield phrases it: "............when labour and capital are applied to land with a diminished proportional return, the cause must always be such a change of circumstances or of prices, as renders this return a sufficient remuneration for advances for which the same return would not formerly have been a sufficient recompense. But Mr.Torrens's argument proceeds on the supposition that cultivation can be extended, and additional capital laid out with a diminished rate of return, while the same advance of labour and capital requires the same remuneration as before".

Longfield's own proof of his theory that Rent forms a decreasing proportion of total produce might be represented as in Fig.3.

Fig.3.



(Compiled from Longfield's example, as quoted in the text. (p.51) but extended to a third grade, for purposes of illustration). Here the curve of Diminishing Fertility is discontinuous and, over long periods, does not decline at all, whereas in the classical example it declines uniformly and continuously.

SECTION IV. THE THEORY OF PROFITS.

(This subject is completely dealt with in Nos. VIII & IX of the "Lectures on Political Economy". Certain incidental references to questions of profit occur throughout the work and are dealt with here, but the subject of the movements of aggregate profits is taken in Section VI.)

In building up a new theory of Distribution on a different basis from that of the Classical School, Longfield's chief purpose was, as he himself declares, "to place the subject of profits in a juster light." Not only did he attempt to evolve a more satisfactory explanation of profits, but also to clear up the question of their relation to wages. For this purpose the essential foundation of his theory was the reversal of the normal classical method of considering wages before profits, making profits dependent on wages. Longfield's method was to make wages subsequent to profits, and his whole system derives from this idea.

II.

Undoubtedly in 1833 there were few subjects in Political Economy which more required attention than the theory of Profits. The preceding half-century had seen the production of a large volume of writing on the subject, more notable for its variety and confusion than anything else. The lack of a really coherent and satisfactory theory of profits is one of the most notable features of the classical system. The explanation of this, and of the special features of the theories which were advanced, must be sought in the ideas about capital held by the economists of the period.

The classical authors invariably divided capital into "fixed" and "circulating". These terms were defined in divers ways but always their meaning was essentially the same - fixed capital denoted machinery and similar capital goods used to "assist labour" in the production process, while circulating capital meant funds used for trading purposes, but especially for "supporting" or paying labour. Almost always a disproportionate emphasis was placed on the importance of this circulating capital; once the distinction of the two types was made, fixed capital was usually almost completely forgotten. So much was this the case that capital was sometimes taken to mean circulating capital alone. Thus, in the Preface to his "Principles", Ricardo speaks of the produce of the earth as "all that is derived from its surface by the united application of labour, machinery and capital" (1) Rarely was the distinction carried to this length, but it may be said that every economic writer of this period, from Smith onwards, gave the greatest importance to the circulating aspect of capital when discussing the subject.

There was only one notable exception, the Earl of Lauderdale, whose unusual and original views have already been noticed in connection with the theory of Value. Lauderdale was critical of Smith's idea of capital "facilitating" labour, and himself held that capital of every kind supplanted labour.

"......It appears that capital, whether fixed or circulating, whether embarked in the home or in foreign trade, far from being employed in putting labour into motion, or in adding to the productive powers of labour is, on the contrary, alone useful or profitable to mankind from the circumstance of its either supplanting the necessity of a portion of labour that would otherwise be performed by the hand of man, or of its executing a portion of labour beyond the reach of the powers of man to accomplish; and this is not a mere criticism on words, but a distinction in itself most important." (2)

However, this one recognition of capital as a productive force in itself went unnoticed at the time.

The prevalence of this method of emphasising the "circulating" aspect of capital seems to have been due in part to the confused opinions which were held about the nature of capital. Smith drew a distinction between capital and stock, defining capital as that part of stock which is used to procure a revenue. The distinction was certainly an artificial one, hardly capable of practical application, but it would seem that the very wording of it must have led Smith to regard capital as essentially accumulated wealth. This, however, was not the case; he constantly confused capital with additions to capital and came to look on it as really part of annual produce, devoted to reproduction. Taken along with his view of circulating capital, this led him into grave confusion about saving:-

"What is annually saved" he declared, "is as regularly consumed as what is annually spent and in nearly the same time too; but it is consumed by a different set of people. That portion of his revenue which a rich man annually spends is in most cases consumed by idle guests and menial servants, who leave nothing behind them in return for their consumption. That portion which he annually saves, as, for the sake of profit, it is immediately employed as a capital, is consumed in the same manner, and nearly in the same time too, but by a different set of people, by labourers, manufacturers and artificers, who reproduce with a profit the value of their annual consumption....The consumption is the same but the consumers are different."(3) Here the production of capital goods is altogether confused with the support of the labourers producing them. Such confusion is typical of Smith's views on capital, but it may be observed that all of it arises chiefly from a disproportionate emphasis on the 'circulating" aspect of capital.

It may indeed be said that this confusion between existing capital and additions to capital is not confined to the writings of Smith; there is still the difficulty, even in modern work, of distinguishing the total value of existing capital equipment, from accruing savings. Smith, however, failed even to show that savings do <u>accrue</u> - he conceived them merely as a part of revenue "productively" consumed.

His successors also had the same idea - scarcely any of them conceived capiral as accumulated wealth. Thus Malthus wrote that ....."it is stated by Adam Smith, and it must be allowed to be justly stated, that the produce which is annually saved is as regularly consumed as that which is annually spent." (4) The idea continued to find acceptance up to the time of John Stuart Mill, as also did the theory that "the general industry of the society never can exceed what the capital of the society can employ," which first appeared in the "Wealth of Nations". This too was a consequence of the excessive importance attaching to circulating capital.

It may certainly be "allowed to be justly stated" that "what is saved is consumed," if consumption be interpreted widely enough, but in the sense which Smith and Malthus gave to consumption - i.e. consumption of subsistence by capital goods producers - it can only be said to be a gross misrepresentation of the real nature and use of capital.

Yet while the views of these early nineteenth century writers on the subject of capital and its functions were undoubtedly vague and confused, they had, in their confusion, a certain similarity. Ricardo, Malthus, James Mill and all the great classical authors held this curiously superficial view of capital as somehow a part of revenue, saved to provide support for 'productive' labourers.

Confused as they were about the nature of capital, the classical economists could scarcely be expected to be very clear on the subject of the return to it. On this point, perhaps, their greatest source of error and misunderstanding was the failure to distinguish profits from interest. In the writing of the period, interest as the pure return to capital for its services was never properly differentiated out from profits, the income derived from trading after meeting all other costs. Hence the subject of the return to capital came under the head of the theory of profits, but the explanations of it which were advanced failed to provide a very satisfactory solution of the problem of why either interest or profit existed at all.

Smith conceived the reason as being that the labourers were "necessitous" and had to rely for their support during production on the capitalist, who reaped a profit for this service--an idea with possibilities, which, however, he left undeveloped. The question of what determined the rate of profits he related, characteristically, to the 'advancing or declining state of society'. Profits must, he thought, depend on the opportunities of employment of capital and as capital increased with the progress of society, they would inevitably fall as the best openings for the employment of capital were filled. Hence he concluded that "the increase of stock which raises wages, tends to lower profit."

Ricardo, along with West, derived the theory of Profits from a linkage of the theory of Wages with the concept of diminishing returns to agriculture. Profits arose, he thought, from the fact that labour, even on the worst soil under cultivation, could raise more produce than was necessary to pay its own wages. Hence profits appeared as a surplus over wages, which "would be high or low in proportion as wages were low or high." (5) This "West-Ricardian" theory of a dependence of profits on wages was the best known and most generally accepted of the classical explanations of profits.

The proposition that 'profits depend on wages' stated in this simple form, involved a confusion between the rate of profits and the proportion of the total produce received by the capitalist. Only if the term 'profits' is understood to mean the latter is the proposition valid; if the share of the labourer in a given product is increased, the share of the capitalist must of necessity decrease. If, however, profits are taken in the normal sense of returns on capital invested there is no reason why wages and profits should not move together. Most of the writers of this period did not realise this and used the word profits in both senses quite indiscriminately.

This confusion was not, however, involved in the theory as stated by Ricardo himself, for he phrases the proposition in a special form. He says:--"If a manufacturer always sold his goods for the same money, for £1,000 for example, his profits would depend on the price of labour necessary to manufacture these goods. His profits would be less when wages amounted to £800 than when he paid only £600. In proportion then as wages rose, would profits fall." Foreseeing the natural objection that prices may vary as well as wages, he goes on to say:--"But if the price of raw material would increase, it may be asked, whether the farmer at least would not have the same rate of profits, although he should pay an additional sum for wages? Certainly not; for he will not only have to pay, in common with the manufacturer, an increase of wages to each labourer he employs, but he will be obliged either to pay rent, or to employ an additional number of labourers to obtain the same produce, and the rise in the price of raw produce will be proportioned only to that rent, or that additional number, and will not compensate him for the rise of wages." (6)

Ricardo's theory then is briefly this:- Since 'profits' depend on wages' in the sense that they are the amount of produce remaining after paying wages (and rent, if any), then the rate or amount of profits is determined by the productiveness of industry on the worst land under cultivation. The profits of all other forms of industry are regulated by this, by simple competition, for if profits were higher elsewhere than in agriculture, capital would move from agriculture to other employments. This, however, cannot happen, since all the capital used in agriculture is "necessary" for the maintenance of the food supply. Hence, agricultural profits are always the regulators of general profits.

Now, with the progress of society, inferior soils must be taken into cultivation; consequently, although the price of corn rises, so also do rent and wages (which must rise with the price of subsistence). From this Ricardo concludes, along with West that "the natural tendency of profits then is to fall; for in the progress of society and wealth, the additional quantity of food required is obtained by the sacrifice of more and more labour."(7)

This was Ricardo's explanation of the "historical fall of profits" which so largely occupied the minds of economic writers at this time.

The arguments which were advanced to support this theory were decidedly weak. Ricardo gave voluminous arithmetical examples intended to prove it, but all of them involved the same assumption:- that the proportions in which labour and capital are employed always remain identical - e.g., if £100 capital is employed with 10 men, £200 must be employed with 20. If this unlikely supposition is dropped, his examples do not show a fall of profit to be inevitable at all. (8) Yet this theory was widely accepted, Mill and M'Culloch being prominent exponents of it. They, along with most of their contemporaries, usually confused the rate of profits with the share of the capitalist in the produce, and were therefore able to make the dependence of profits on wages appear inevitable.

Various other theories of profits were evolved during this early part of the nineteenth century, but none of them can be said to have been wholly adequate or convincing.

With his view of the nature of capital, Laun̶derdale clearly realised that profits were paid as a reward for its productive services. As capital supplants labour, the capitalist naturally receives some of the reward for the work which his capital has done instead of labour. Capital which is insufficiently productive to supplant any labour can earn no profits, while on the other hand profits can never be greater than the cost of employing labour instead of machinery to do the same work. In consequence of competition, however, they may often be less than this. Curiously enough, Malthus arrived at the same idea in his "Political Economy" This was a good explanation of why profits <u>can</u> be paid, but gave no adequate reason why they <u>must</u> be.

Senior, some twenty years later, approached the problem from the opposite angle, naming profits as the reward of 'abstinence', which he attempted to make the cost of production of capital. His theory is thus really a theory of interest and while it explained the point which Lauderdale ignored - the reason why the capitalist requires a reward - it failed to show, as Lauderdale <u>had</u>, the reason why he actually secures a reward at all.

Senior's 'abstinence' theory was a very ingenious attempt to bring profits into line with the cost of production theory of value. Some time before he evolved it, the same task had been attempted in a much cruder way. It was perhaps inevitable that since Ricardo had made capital 'the produce of accumulated labour' profits should come to be explained as the 'wages of accumulated labour'. It was not Ricardo who did this, however, but McCulloch and James Mill. In the attempt to prove this theory they became involved in numerous absurdities, the best known probably being Mill's example of wine maturing in a cellar.

Such, briefly, was the state of the question of profits when Longfield set himself to put it in a "juster light". In so far as there was any general theory of profits, it was the West-Ricardian theory, derived from agricultural profits, and essentially a development of the current idea of a dependence of profits on wages. This idea, again, was largely a consequence of the concentration of attention on circulating capital, then so universal.(9)

III.

It cannot be pretended that Longfield set any striking example to his contemporaries by the systematic character of his explanation of profits. He plunges into the discussion of the subject without the least attempt to define what he means by either capital or profits and it is not until the very end of his first Lecture on the question that he reaches the point of giving any definitions at all. He then lays down that "in general, by capital is understood all wealth devoted to production or exchange for profit." (10) This is very similar to Smith's definition and it does not make very clear exactly what Longfield understands to be the nature of capital. Incidental references in the context, however, make it quite clear that he invariably thinks of it as an accumulation. Thus he refers to "the first capital accumulated in the empire",(11) to the incentives to accumulation and the effects of increasing accumulation. There is never any tendency to make capital a part of revenue.

Nor does Longfield attach such importance to the distinction of capital and stock as did Smith. His chief aim in making it appears to be to show clearly that capital is accumulated wealth employed for purposes of profit-making, and he admits himself that the distinction of capital from stock is not a precise one:- "Capital is frequently used to signify what may be capital, although it is not used as such. Capital and profits are so analogous to principal and interest, that in furtherance of the analogy, the word capital is frequently used in an extended sense. Thus, if a man spends annually the interest of his money, or the profits of his capital, he will neither increase nor diminish his wealth; but if he spends more, he will become poorer, and as in the one case he is said to be spending his principal, so in the other case he is said to spend his capital, although, properly speaking, he does not spend his capital, but converts to stock, and uses as such, what ought to be employed as capital. That may be capital at one time, and for one person, which at another time and for another person is stock." So in fact "it is the use to which any thing is dedicated that determines whether any thing is to be considered as capital or stock."

This passage is of special importance in that it shows that Longfield was at least aware of a distinction between profits and interest. It cannot be said, even so, that he kept this distinction clearly before him or even employed it correctly. His idea of a distinction between "capital and profits" and "principal and interest" seems curiously artificial. Evidently profit is to be considered as the reward of capital employed in trade, while interest is the return received by an investor. Hence, naturally, Longfield frequently uses the term "profit" in a sense more appropriate to interest. For example, in a note to page 39 he refutes Torrens' contention that profit is not a part of, but an excess over, cost of production. He definitely speaks here of deprivation of the use of capital as "the sacrifice for which profit is required" (12). and in this sense interest would seem to be the proper term. Yet in other places he speaks of profit as containing elements of reward for risk-taking and wages of superintendence (13). These elements are never differentiated out as 'pure' profits, however, and no theoretical explanation of their existence or amount is offered. Hence it appears that Longfield's "theory of profits" is really a theory of profits plus interest but the interest element tends to dominate in it.

Having so clear a perception of capital as being accumulated, Longfield did not fall into any error as regards its origin. Capital is the result of saving, "the sacrifice of the present to the future which is made by the possessor of wealth, who employs it as capital instead of consuming it for his own immediate gratification." (14) This is a definition more reminiscent of Böhm-Bawerk than of classical economics; it shows a clearer perception of the process of capital-formation than is to be found in the work of Longfield's contemporaries, or even many of his successors. Longfield was never deluded by the idea that "what is saved is consumed"; he plainly realised that saving was a process of accumulation contributing to the creation of capital goods. His discussion of the incentive and capacity to save is sufficiently remarkable to merit quotation in full:-

"The amount of this sacrifice", he says, "varies very much in different ages and countries, and even in different persons of the same age and country. In many instances it is very slight, since we find that many persons save without any prospect of profit, but merely from the love of accumulation, or the preference of the future to the present. On the other hand, many spend, in their present gratification, what they know they might profitably employ as capital. This prospect, however, of deriving a profit from their accumulations is a strong additional motive to save, although its influence will vary considerably, according to the manners, habits, disposition, circumstances, and general situation of the country. It will not generally be strongest where the rate of profits is highest, although, caeteris paribus, it would necessarily be so." From this passge, it would appear that while Longfield had reached the idea of 'abstinence', just as did Senior, he had got beyond the idea that it could be regarded as a 'real cost'.

Longfield's view of the functions of capital is in an entirely different part of his Lectures from his definition of the nature of capital, but it is clear enough nevertheless:--"Capital is useful, by advancing to the workman the value of his labour, before the produce of his labour is sold to the consumer. It also assists the labourer materially, by supplying him with instruments, tools, and machinery."(15) Here again is an echo of Smith--the same distinction, though not expressed, between circulating capital, "supporting labour" and fixed capital "facilitating labour." The important difference, however, is that Longfield gives fixed capital much the most important place in his theory. It is true that at this point he does not seem to have grasped Lauderdale's idea of capital "supplanting labour", but later, in Lecture XI, he speaks of it several times as "superseding" labour. (16)

Hence although Longfield's ideas on capital partake of some of the features of classical views, they are, in the main, much more sound and consistent. Capital is not conceived as a part of revenue for the support of labourers, who consume it, but as a definite accumulation of wealth, saved and set aside to assist production, present and future. There may be confusion in his phrasing of this, but confusion of ideas is notably absent.

The same general comment might perhaps be made on the theory of profits, whose development is the main purpose of these two Lectures. It commences with a consideration of the reason for the existence of profits and it is remarkable for a work of this period in that no less than five pages are devoted to an attempt to justify profit. Indeed the first sentence might almost be the opening of an answer to the argument of "Das Kapital":- "It is frequently complained of as an unjust and an unreasonable thing, that the labourer, who seems to produce everything by his toil, should not in return receive the entire, or at least a much greater part than he does receive, of what he has assisted to produce."(18) Longfield's answer to this contention is also the basis of his explanation of the existence of profit. The produce of labour, he points out, is usually not finally sold for a considerable time after the work is actually done. In modern phrasing "labour is a future good." Had the labourer to wait for his wages until the whole period had elapsed, he would naturally receive higher wages.

If, instead of waiting, he procures his wages as an advance from some other person who is to be "reimbursed by the sale of the finished article", the effect will be the same. "The person who makes the advance is only induced to do so by the expectation of a profit, otherwise he will not take the trouble, or run the risk, or deprive himself in the meantime of the use of the money which he might possibly require for the satisfaction of his own wants." Here then is the reason of the existence of profit, and also the reason why the labourer does not receive the whole produce of his work; the labourer cannot wait for his wages until his product is sold, but no one can be persuaded to advance him his wages and undertake the process of waiting without a suitable reward.(18)

Longfield elaborates this theory with the aid of examples. "Let us attend carefully to the important part which capital performs in the work of production, and we shall see how long a period must frequently elapse before certain labour has produced its full effects." To show this he takes the production of a 'cotton gown' and demonstrates how many different processes, each with their own quota of capital, may have played some part in this production. "So that it is hardly too much to say that the first capital accumulated in the empire may have had its effect in producing this gown; and what is more extraordinary, that remote capital may not have yielded all its profits until that gown was worn by its present possessor." To prove this point, Longfield distinguishes unproductive from reproductive consumption:- "I consider every consumption unproductive, where the value of the commodity consumed is destroyed, and is not transferred to some other commodity....... But there is also a consumption where the value of the article consumed is not destroyed, but is transferred to some other commodity. This I call reproductive consumption." (19) The final end of all production is unproductive consumption, even though "the workman himself may not have this object in view." Consequently, "until that event takes place, the labour which produced it (a commodity) has not been productive of any enjoyment or utility to man. And all those who were employed in producing or exchanging it, must have derived their wages and profit from some other productive source.

......there is a suspension of enjoyment from this article, until it comes into the possession of the unproductive consumer. He pays for the labour of making it and all the intermediate profits. He need not pay this out of revenue existing prior to the manufacture of the article. But he pays more for it, in consequence of the delay." It is, then, in the advancing of these wages and other payments, before final consumption takes place by "some person who.....abstains from an enjoyment within his reach" that the origin of profits is to be found. In modern phrasing, profits are the reward of the capitalist for financing "roundabout production", or as Longfield himself puts it, they are, "as it were, the discount which the labourer pays for prompt payment." (20)

This affords an interesting comparison with Taussig's theory of wages as the "discounted marginal product of labour". In his "Principles" Taussig says "The operations of the capitalists consists (sic) in a succession of advances to labourers......The product of labour is discounted by the capitalist employers." In this respect his whole argument is strikingly similar to that of Longfield.(21)

Having thus explained the source of profits, Longfield proceeds to discuss the method whereby the rate of profits may be calculated. He lays down that the rate of profits "depend upon the proportion which exists between the advance made by the capitalist, and the return which he receives, and the length of time for which that advance is made." (22) This is a perfectly clear statement of the normal method of calculating the rate of profit on capital; there is no confusion between the rate of profit and the proportion of the total produce received by the capitalist. It is rather surprising to find, therefore, that Longfield immediately sets out to prove that the rate of profits depends upon the proportion in which the value of any commodity is divided between the labourer and the capitalist." (23) This he achieves by making two special assumptions: (i) that all advances of capital are made for the same length of time, which makes the rate of profit depend on the proportion between the advance made by the capitalist, and the return upon it. (ii) that all advances are made in the form of wage payments, which makes the rate of profits depend on the division of the product between labour and capital. In this manner Longfield arrives at the conclusion of James Mill and other classicists on the relation of profits and wages. He deals with the objection of Torrens and M'Culloch (24) to the theory but as their arguments do not apply against the very special assumptions outlined above he is easily able to refute them. This fact does not strengthen his own argument at all, under the circumstances. Certainly, on the suppositions Longfield makes, the statement that the rate of profits depends on the proportional shares of the product received by capital and labour is unimpeachably correct. The essential point, however, is whether those suppositions are justifiable. The first may perhaps be conceded as a not inadmissible simplification, although of far-reaching effect in the matter of actual calculation of the rate; the second is much more sweeping. Longfield attempts to defend it by saying that it is "true in those cases in which it does apply, and all other cases may, with a little care, be reduced to them. And such reduction must be made, whenever we resort to labour as a common measure for comparing the values of commodities. Whatever advances are not made in labour, must be reduced to the measure of labour."(25) This introduction of labour as a measure of value is really no defence of the method at all; it virtually amounts to assuming an identity between labour and wages, and doubtful as may be the attempt to reduce capital into labour terms, the simple assumption of it into wages is more dubious still. To say that, e.g.,£1,000 invested in machinery can be looked on as £1,000 of wages and make the return on it identical with the portion of the product going to the capitalist on this ground is very questionable reasoning.

At this stage it is, furthermore, difficult to see what Longfield is attempting to prove by these calculations. It cannot be said that his purpose is to evolve a theory of interest on circulating capital based on calculations of the time during which the capitalist is deprived of the use of his assets, for throughout the discussion the amount of the return on capital is one of the assumed data. In fact this Lecture ends with the comment:

"I shall not now enter into any consideration of the question --What regulates ,profits, and determines their amount? I have attempted merely to show what they are, and how their amount is to be calculated."(26) The real purpose and importance of this calculation, which may at first appear a rather pointless concession to classical methods, does not become evident until Longfield develops his theory of Wages.

Despite this lengthy attempt to prove that the rate of profits depends on the ratio between the shares of the labourer and the capitalist in the product, Longfield does not suggest that profits depend on wages. In fact his first concern in explaining the "laws which determine the amount of profits" is to refute the West-Ricardian theory. He declares that "The theory is an ingenious one, and I should feel much pleasure in assenting to it, and it is with corresponding regret that I have come to the very contrary conclusion, namely, that the decreasing fertility of the soil has scarcely any direct effect upon the rate of profit, and that it exercises only a remote influence, if any, by its effect in retarding the increase of population." (27)

As has been mentioned, the essential basis of the theory was the idea that wages must rise as increase of population compels "recourse to inferior soils for subsistence, so leaving a smaller surplus for profit. Longfield's contention is that there is no necessity for this rise of wages to occur - since population is presumed to be increasing wages must be above minimum subsistence level and may quite conceivably be reduced. Even if the labourer cannot bear the whole of the reduction in returns which occurs, there is nothing to show how much of the reduction must fall upon profits. "But I do not say that it is expedient that the wages of his labour should be thus reduced, but merely that while population is increasing he cannot occasion a fall in profits by his inability to bear a reduction of wages. The matter is left open to contract, where the only circumstance which increases or causes the rate of wages is the competition of the employers, and this will not be increased by an increase in the number of labourers, unaccompanied by an increase of capital." (28)

This objection is hardly the strongest which might be advanced against the theory that "profits depend on wages"; it seems to depend mainly on the meaning given to 'subsistence' and on whether 'wages' are taken to mean money or real wages (29) However, it shows Longfield's complete independence of the conception of wages as based on the cost of subsistence, a fixed sum whose size determines the amount of profits.

Consequently, this theory is also rejected by Longfield as an explanation of the "historical fall of profits". On this point he says:-

"The supporters of this system universally, I believe, maintain that the ibcrease of capital in any country, unaccompanied by an increase of population, has not even any tendency to reduce the profits of capital, since they say that the last capital employed in any manufacture will necessarily be as productive as the first, and probably more so." Longfield does not suggest that there may indeed be diminishing returns in industry but says that in this argument "the fallacy, I conceive, lies in the assumption that without an increase of population an increased supply of any article can find purchasers without a reduction of price, and that therefore the additional capital can be employed in the same manner, and with the same rate of profits, as the old capital was before such addition took place." (30) In this he completely fails to realise that even without increasing population higher income per head might produce a greater demand, so keeping up the returns to capital. Nevertheless he is quite clear on the fundamental point that the fall of profits is caused, not by the decreasing fertility of the soil, but by the lowering of the productivity of capital as the best opportunities for its use are filled. Hence his explanation is closely similar to that given by Smith -".....were it not for the progress of improvements and discoveries in the arts and the increase of population, the rate of profits would continually decline, as the quantity of capital accumulated in the country increased." (31) This simple and reasonable explanation, linked characteristically with the theory of value, affords the basis for Longfield's new theory of profits, a theory free from any dependence on wages. In it profits are conceived not as a surplus over wages but as a return to capital determined by its own productive powers.

In developing this theory, Longfield begins from a consideration of the factors which create the demand for capital, i.e., its usefulness in aiding production by "supporting" and "assisting" labout. It is on this latter factor that the whole theory of profits is built up; fixed capital (which Longfield designates by the general term "machines") is of various degrees of efficiency in assisting labour, but the price paid for the use of any machine will be in proportion to its value, the "injury it receives from use, and the time during which it is lent and not in proportion to its effect in increasing the efficiency of labour." This is due to the existence of competition; if one machine could earn greater profits than 'another of equal value and durability' there would be a greater demand for it, and its supply would be increased until its profits were reduced again to the level of the other machine. Amd "this level must be determined by the less efficient machine, since the sum paid for its use can never exceed the value of the assistance it gives the labourer." (32) If the sum were greater than this, it would be more advantageous to dispense with the use of the machine altogether and employ labout instead. "Thus the sum which can be paid for the use of any machine has its greatest limit determined by its efficiency in assisting the operations of the labourer, while its lesser limit is determined by the efficiency of that capital which without imprudence is employed in the least efficient manner.....The profits of capital employed in every industrial undertaking must find their level, and the height of that level must be determined by the profits of that capital which is naturally the least efficiently employed."

Longfield explains and elaborates this theory with the aid of an example from an imaginary society without capital, gradually accumulating it. He shows how in these circumstances capital will first be employed in the most productive uses, but as the supply of capital increases it must be put into less productive openings, so that the rate of profits continually declines, and is always determined by the least productive, or marginal, use to which capital is put, just as in the case of consumption goods it is the demand of the "marginal purchaser" which determines the price at which the whole supply can be sold.

Longfield himself makes this comparison, illustrating it with an example which brings out the essential 'marginal' character of his theory very clearly:--"In the same manner,(33) if a spade makes a man's labour twenty times as efficacous as it would be if unassisted by any instrument, 1/20 only of his work is performed by himself, and the remaining 19/20 must be attributed to the capital. A labourer working for himself would find it to his interest to give 19/20 of the produce of his labour to the person who would lend him one, if the alternative was that he should turn up the earth with his naked hands.......But this profit is not paid, because on account of the abundance of capital in the country, much must be employed in cases where, in proportion to its quantity, it is not so capable of multiplying the efficiency of the labourer, and the profits on this portion must regulate the profits of the rest."(34)

To quote from this Lecture once again, "this extends to the profits of capital that principle of an equality between the supply and the effectual demand which in all cases regulates value...In the case of capital and profits, this equality between the supply and the effective demand is produced by such a rate of profit as is equql to the assistance which is given to labour by that portion of capital which is employed with the least efficiency, which I shall call the last portion of capital brought into operation."(35)

In conclusion, Logfield remarks that "It may be thought that this analysis of profits is imperfect as applying only to the profits of that form of capital which is employed in machinery, or in assisting labour; but that I appear to have left altogether out of consideration the profits of that portion of capital which is employed in paying the wages of the labourer, or in advancing to him the means of his subsistence while the product of his labour is incomplete or unsold. This is usually called circulating capital, and it is evident that the profits of this must be regulated by the profits of the fixed capital." (36) This seems to dispose of the idea that the theory can be divided into two parts-- a theory of fixed capital profits, and another theory of circulating capital profits. It is perhaps most truly to be interpreted as one theory with two aspects--the origin of profits is explained in terms of the time element, 'abstinence' or 'waiting' while the reason for the profit being paid is explained on the basis of marginal productivity. (37) As Professor Seligman has phrased it, "We have the productivity theory explained in terms of the agio theory." (38)

It must certainly be conceded that in evolving this theory Longfield certainly fulfilled his aim of improving on contemporary explanations, for it is far more complete and consistent than any other advanced by the writers of the period. It is true that Senior had conceived the idea of 'abstinence'; it is also true that Lauderdale and Malthus graspedthe idea of profits as a reward for the productive powers of capital, but no other economist of the time explained the whole subject of capital and profits so fully and so clearly as did Longfield. Where others glimpsed facets of the problems , he saw and dealt with as a whole. Here again, all the evidence seems to point to the fact that the theory was entirely Longfield's original work. Von Thünen, usually regarded as the founder of the productivity dictrine, had not purlished that part of "Der Isolirte Staat" which deals with capital when Longfield wrote; nor had Senior's "Outline of the Science of Political Economy" appeared. While he may have been acquainted with the work of Lauderdale, Longfield could not have obtained more than the germ of his ideas from this source.

Once more it is impossible to avoid remarking how the theory of profit is evolved from the theory of value, making profit essentially a price for the use of capital. The theory of profit is one of the best examples of Longfield's economic method in this respect. Thus with the aid of his value analysis he evolved a profit theory far superior to any advanced until the time of Jevons at least. Undoubtedly it is not without its shortcomings--there is a considerable amount of minor confusion in its development, and profit is never properly distinguished from interest, but the reality of the advance which it constituted on the theory of the time cannot be disputed.

SECTION V: THE THEORY OF WAGES.

(The subject of the determination of the "permanent, natural or average rate of wages" is discussed in No.X of the "Lectures on Political Economy, differences in relative wages in Lecture IV, and division of labour in Lecture V.)

* * *

During the half-century preceding the publication of Longfield's "Lectures on Political Economy" there were two main explanations of the determinants of the general rate of wages, which, while analytically distinct, were actually closely connected. One was the Subsistence theory, the so-called "Iron Law of Wages"; the other was the 'Supply and Demand' or 'population and capital' theory, from which the Wage Fund doctrine later developed.

The essentials of both doctrines can be summed up briefly. The subsistence theory was based upon the idea that, as Smith phrased it:- "A man must always live by his work, and his wages must at least be sufficient to maintain him." (1) This gives a lower limit, the subsistence level, below which wages cannot fall. Should they ever do so the result would be a fall in population, which would continue until wages were restored to the necessary height. Equally, on the other hand, if wages rose for long above the subsistence level, the result would be to produce an increase of population, which would force the general rate of wages back to the level of subsistence again. Consequently, it was thought that wages must always tend to settle about this point.

The 'supply and demand' theory laid down that wages must depend on the proportion between supply, represented by the labouring population, and demand, represented by the 'fund available for paying labour' or in other words, circulating capital. This theory was really a result also of the classical method of placing special emphasis on this function of capital. The theory was often reduced to the bare statement that wages depend on 'the proportion between population and capital' and from this arose its other, and more truly descriptive, name.

Both of these theories appeared in "The Wealth of Nations". Actually Smith began from the idea that the reward of labour was its produce, but this, he thought, only applied in the "original state of things" and not in the developed society. In the latter, wages became the result of a bargain between employer and employee; subsistence fixed the lower limit and this determined wages also in the stationery state. In the "advancing or declining state", however, the amount of capital entered into the question also. In an advancing society, Smith thought, the increase of revenue and stock will produce a rise in wages, through an increased demand for labour, while in a declining society, exactly contrary conditions will prevail - there will be a competition between workmen for employment. Smith was at pains to make clear that it was increase or decrease of stock which was important, not actual greatness of amount; if stock was not increasing, however great it might be, the population would have increased up to the point where there was no scarcity of labour. Smith's theory thus seems to be really a "supply and demand" one, with subsistence as a particular case of it.

With his doctrine on population and the effect of Poor Laws, Malthus was naturally a supporter of the subsistence theory, and even went so far as to assert that an increase of wages, even though it might raise food prices, could never increase the food supply. The amount of subsistence appeared to him to be fixed independently of demand. No other writer adopted this curious view, and in fact the subsistence theory was very rarely advanced by itself as the explanation of wages. In Ricardo it is found again combined with the 'supply and demand' doctrine. In the matter of wages Ricardo was much influenced by the conception of a 'natural' and 'market' price for labour, which Torrens had developed in his "Essay on the External Corn Trade". Torrens thought that 'market' wages were determined by demand and supply, while 'natural' wages constituted the average wages to which the labourer was 'accustomed'. Ricardo, however, interpreted natural wages as a subsistence minimum, below which wages could not fall if population was to be maintained. Market wages had always a tendency to conform to this level, but in Ricardo's view they did not fluctuate around it, as Torrens supposed;

they could not drop below it, and whenever population was increasing they must be above it. Ricardo thought that in fact for long periods market wages did remain above natural wages.(2)

Ricardo was at great pains to show that money wages must rise if the price of food and necessaries rose, and in fact it may be said that the subsistence strain was the dominant one in his theory. In subsequent writers, however, the "supply and demand" aspect took pride of place. James Mill laid down quite definitely, in a heading in his "Elements of Political Economy", "That the rate of wages depends on the proportion between Population and Employment, in other words, Capital." (3) He went on to argue that population normally increases faster than capital, making the trend of wages downward, so that "how slow soever the increase of population, provided that of capital is still slower, wages will be reduced so low that a portion of the population will regularly die from the consequences of want." (4).

M'Culloch also supported this theory, and gave arithmetical illustrations putting it into the rigid "wage-fund" form which was to find its full development in the work of John Stuart Mill. It may be said that just before Longfield wrote the supply and demand theory was dominating somewhat over the subsistence theory, but that the latter remained as an underlying basis. The effect of this was to give currency to the idea that the rate of wages at any time was very definitely fixed. Consequently, it was natural to make them a first charge on the fund available for distribution, after deducting Rent first in the invariable classical way. Wages at the given level "must" be paid, and so the theory of Profits followed after and was built upon the theory of Wages.

II.

Longfield had reversed this procedure and constructed the theory of Profits first. It is therefore not surprising to find that after reviewing the importance of propagating true doctrines concerning wages and the factors which govern their amount, his first concern in the Lecture on Wages is to refute the subsistence doctrine:- "There is one cause" he says, "commonly assigned for the relative wages of labour in different countries, to which I cannot agree.....

The doctrine I allude to is this, that the value of labour, like everything else, depends upon the cost of production, and that the cost of production of a labourer is that sum which according to his natural or artificial wants, is sufficient to support the labourer, together with, on the average, such a family as is necessary in order to keep up the population of the country, and to enable it to increase or remain stationery, according as the wants of the nation require ~~require~~ an increasing or a stationery population."

(5) Longfield admits that in the case of final goods the cost of production to some extent affects the value, in that it must be covered if the article is to be produced at all. "But the attempt to prove this truth by analogy and to find out what is the cost of production of common labourers, appears to be a trifling with a serious subject. No such calculations are made previous to the production of a common labourer. He is not produced for the sake of what he can afterwards earn."

According to Longfield, the aim of the subsistence theory is "to prove that the wages of the labourer depends (sic) upon the expense of his maintenance and usual style of his living, instead of his expenses and his mode of living depending pretty much upon his wages, as most people, and I confess myself among the number, would most readily imagine to be the case." (6) He proceeds to consider the validity of this notion from a logical standpoint and points out that it "consists of two propositions, connected by the alternative phrase 'otherwise'. Thus - the labourer must earn certain wages according to his real or imaginary wants, otherwise the population required by the country would not be kept up. The validity of this argument requires that the second proposition should be impossible and should follow from the denial of the first." His contention is that the second proposition is not impossible, and hence the first is not valid. A decrease of wages may often occur without affecting population - the labourer may be forced to accept a lower standard of living, and consequently his wages cannot depend solely upon this. It might be argued against this that the subsistence level is supposed to constitute an irreducible minimum, but in fact the great difficulty of the subsistence theory lay in the definition of this minimum level (7), and in this respect Longfield has attacked it at its weakest point. In connection with this, he says "I do not deny that it is for many reasons desirable that the labourer should be accustomed to think a certain degree of comfort indispensable....... All I am contending for is, that the wages of the labourer depend upon the value of his labour, and not upon his wants, whether natural or acquired, and that if his wants and necessities exercise, as they do, some influence upon the wages of his labour, it is indirect and secondary, produced by their effect upon the growth of the population, and that this effect is not analogous to the effect which the cost of production has upon the price of commodities."(8).

This vigorous refutation of the theory that wages depend on the level of subsistence sets Longfield apart completely from other writers of his period, almost all of whom held it at least as a subsidiary part of their explanation of wages. It is curious that although Longfield devotes so much space to disproving the subsistence theory, he does not discuss the "population and capital" doctrine at all in this instance. However in his Lecture on Absenteeism, he rejects it quite as definitely as here he rejects the subsistence theory:-

"But let us look at the different forms of expenditure and labour: and we shall see how little application that argument has, and how far it is from being true, that the wages of labour depend solely upon the amount of capital in the country, compared with the number of labourers in it...........Now, is it true that the same quantity of capital however laid out, will afford the same employment and wages, to labourers? Is not the contrary proposition evident? A capital of £1,000, if employed in a manufacture which returns it in two years, will give an income of £80 a year to ten labourers, but if it is employed in a business where the return is made in a period of six months, it will give the same employment and wages to forty labourers. Is not this such a difference as should make us cautious how we draw any deductions from the proposition that the employment of labourers depends upon the capital, not the income of the country"(9).

This certainly leaves no doubt as to Longfield's view of the merits of the "supply and demand" theory but even apart from this, the text of the Lecture on Wages makes it plain that Longfield attaches no importance to the doctrine.(10)

In opening his own theory of wages Longfield does in fact say that "......the wages of labour, like the exchangeable value of every thing else, must depend upon the relation between the supply and the demand." But while the supply consists of the 'present existing race of labourers' the demand is not determined by the amount of capital available for paying them, but "by the utility or value of the work which they are capable of performing." (11). Hence although Longfield's characteristic treatment of the question on the basis of his value analysis has led him to the same starting-point as the 'supply and demand' theory, his clear perception of the true function of capital, together with his method of treating the returns to the factors of production as prices for the use of productive services, has prevented him from falling into the error of basing demand for labour on available capital. He is quite definite in saying that"....the wages of the great mass of labourers must be paid out of the produce, or the price of the produce of their labour." (12). Wages, then, are essentially dependent on the size of the product: "This gives us the measure of each labourer's wages in the articles which he contributes to produce, and by proportion we ascertain the quantity of any other article which he can procure in exchange for them." In this manner real wages, as well as money wages, can be considered.

This is a point of some importance not only in Longfield's theory of Wages, but in his whole view of Distribution. Always, when referring to the effect of any economic change on the condition of the labourer, he relates it to this concept of real wages, thinking in terms of the goods on which the labourer spends his wages. Longfield never postulates a direct connection between the "price of subsistence" and wages, but he is very conscious of the connection between the welfare of the worker and the prices, of the goods and services he consumes, as in turn affected by the level of productivity and wage-costs. There is an interesting parallel between his ideas on this point and Professor Pigou's concept of "wage-goods".

Longfield next proceeds to demonstrate how wages can be determined from the size of the product, and it is in this connection that the purpose of his curious method of computing the rate of profits becomes evident:- "In this manner the relative values of any two things are found, by comparing the quantity and the kind of labour employed in the production of each, taking care in the comparison, to make an addition to the value of each day's labour, proportioned to the rate of profit in the country, and the interval that must generally elapse between the execution of that labour and the completion and sale of the entire work. The share of the article which one labourer will receive, is found by computing how much of the entire value consists of labour, and how much of profit, and then dividing the former share among the labourers, in proportion to the quantity and value of each man's labour." (13) Throughout the whole of his theory of wages he makes this assumption that the rate of profits indicates the appropriate deduction to be made from the product before distributing it as wages. Given the special assumptions which Longfield has made in his previous lecture, about the method of calculating the rate of profit, this is correct. Without these assumptions, its validity is very questionable and, as has already been remarked, (14) the assumptions are in themselves doubtful. To that extent the accuracy of this theory of wages, as framed by Longfield, is upset, but its essential basis is not affected.

A further element of questionable validity is introduced by the reference to labour as a measure of value, which is really an element of considerable importance in Longfield's method of calculating real wages. Here, of all places, it would seem to be most inappropriate, for by his own definitions, the value of the labour depends on the product and not the value of the product on the labour. In reality, however, what Longfield contends is that the value of the product is proportional to the quantity and kind of labour used in its manufacture (15) and this supposition is necessary to his theory, for he does not apply the doctrine of marginal productivity to the case of wages, but asserts that the wage paid to each man is exactly determined by his particular share in the product. The size of that share can only be estimated on the assumption that the value of the product is proportional to the quantity and type of labour embodied in it. Longfield's examples make this quite clear, for in all of them the product is considered to be divided in accordance with the quantity and value of the labour contributed by each man. From a simplified example in which both the rate of profits and the time interval before the sale of the product are given, and each man is supposed to contribute an equal share to the product (i.e. each contributes an equal amount and value of labour) Longfield arrives at this general statement of his theory: "The real wages of the labourer, that is, his command of the necessaries and comforts of life, will depend entirely on the rate of profits, and on the efficiency of labour in producing those articles on which the wages of the labourer are usually expended." (16) This last point is illustrated by a further numerical example: when the nominal or money wages of the labourer (i.e. his share of the product which he himself produces) are known, his real wages are computed by proportion with the wages of the labourer engaged in producing the goods which he desires to consume. The practical validity of this method is doubtful, for it entirely depends on the imputation of shares to each labourer in accordance with the quantity of labour he actually contributes, on this assumption of proportionality between labour and value. (17) There are also involved the two deliberate assumptions which Longfield has made - that all labour is of equal value and that the time interval before sale is everywhere the same. He specifically considers the effect of the removal of these assumptions and concludes that although this greatly increases the difficulty of computing the share of the product attributable to each labourer, it does not invalidate the general principle, which he formally re-states as follows:- "The wages of labour depend upon the rate of profit and the productiveness of labour employed in the fabrication of those commodities in which the wages of labour are paid." (18). He frankly admits that "it is true that in many cases no man could make those calculations;" but asserts that "the principle of competition leads to the same result with as much certainty as if such calculations were made and acted upon in every instance." (19).

Although these calculations may appear to be more of academic than practical interest, therefore, Longfield nevertheless considers the principle on which they are based important, "because it shews the circumstances upon which the wages of the labourer depend, and to which we should direct our attention when we wish to ameliorate his condition."

There are, he considers, two main sources to which the labourer can look for such amelioration - a reduction in the rate of profits or an increase in productiveness of labour. The effects of any reduction in profits on (money) wages will, he thinks, be small; it is from increases in productiveness that the greatest increases of wages will arise(20).

Finally, Longfield applies his theory to the effect of the introduction of machinery on wages. It may seem that the introduction of machines brings a larger element of profit into the cost of production and so lowers wages, but "the answer to this is, that a machine is never resorted to, except for the purpose of producing commodities more cheaply, that is, more cheaply independent of any reduction in the wages of labour or the rate of profits" with the ultimate consequence that "each man's labour will purchase more of the article than it did before." (21) Therefore the ultimate effect of machinery will be to increase real wages, if not immediately to increase money wages.

It cannot be denied that this theory of Longfield's has considerable weaknesses in the exact form in which he states it. It largely depends on somewhat questionable assumptions about the calculation of the rate of profits, and the use of labour as a measure of value, while the examples with which he supports it depend on further assumptions far from reality. It may certainly be conceded that, as he himself says, "it is founded upon mere abstract reasoning", but this seems hardly to justify his conclusion that, for that very reason, it "cannot be false in any time or country". Yet, despite all its weaknesses in detail, it cannot be denied that it contains a substantial element of truth. Longfield had firmly grasped the idea of a connection between wages and the size of the product, and in so doing he made a very great advance on the other theories of his time.

It is true, however, that he was not the only one to do so. Sir Edward West, in his pamphlet on the "Price of Corn and Wages of Labour" refuted the bare 'supply and demand' theory and seemed to be feeling his way towards a 'produce' theory. Thus he pointed out that if a given number of men doubled the amount of work they did in a day, their wages could be increased without any increase of capital.

Nassau Senior, whose views so often afford a striking parallel with those of Longfield, had outlined a more definite and important produce theory in his "Lectures on the Rate of Wages" in 1830, and he later fully developed it in his "Political Economy". It is possible that Longfield may have read these Lectures, but it seems unlikely that the one specific mention of the connection between produce and wages therein could have accounted for his own development of a productivity theory. Again, the theory of Wages is so closely bound up with the theory of Profits in Longfield's own Lectures, and both are so essentially developed from his theory of Value, that it seems much more reasonable to assume, in the absence of any evidence to the contrary, that his productivity theory was a quite original effort, the logical development of his system of Distribution. That system is in itself so much a unity, and so different from the usual contemporary system, that it is difficult to believe that any one part of it was a mere copy of the ideas of another writer.

Yet it is impossible not to be struck by the fact that Longfield and Senior had so little influence on one another, considering the similarity of their views and the many interests they had in common.(22). However, that fact appears undeniable, and certainly in the matter of Wages neither Senior nor Longfield had sufficient influence on their successors to prevent the Wage Fund doctrine from attaining its culmination in the work of John Stuart Mill and Cairnes.

III.

Relative wages, which play so large a part in the computation of real wages in Longfield's theory, receive a lecture to themselves in the earlier part of the work. But for the most part, the analysis of the causes of differences in relative wages is an uninspired repetition of the classical views of Smith on this subject, and has no particular merit of originality.

Two interesting points may be noticed, however, Firstly, Longfield mentions that the differences in wages produced by education and training costs are "in fact very analogous to profits" and may be expected to diminish "as the society advances in civilisation and prosperity." (23).

The second point is of considerably more importance from a historical point of view. At the end of the Lecture, Longfield remarks:- "An objection may here arise in the midst of some of my hearers, that this level or proportion between the profits or wages of different employments will take place only where they are of such a nature that persons may change one for the other, or at least may at the time for adopting an employment, choose between them, if one appears more advantageous than the other." Thus for example, "Increased profits of bricklayers, or the diminished gains of barristers, will not induce any person to become a bricklayer who would otherwise become a barrister." Longfield concedes the force of the objection, but says that, "this may be the case, and yet the due proportion between the gains of those two professions, so remote from each other, may be preserved by means of the intermediate professions. These act as media of communication."(24).

In this passage, Longfield has conceived and explained the idea of "non-competing groups" of labour, now an accepted part of Economic Theory, and usually attributed in origin to Cairnes. It now seems that the idea, and also the conception of the possibility of "trade" between the groups, must be credited to Longfield.

Division of labour also receives a Lecture to itself, but here again the analysis is notable for clarity rather than originality. The outlines of Smith are followed, and the inevitable reference to the pin-factory is there. The emphasis on the earlier forms of division of labour, the proof that labour will not be employed in any trade when it can produce a better result in another, and the demonstration of the fact that division of labour is limited by the size of the market, are notable points. Some of Longfield's remarks on this last point are of interest in connection with his view of real wages. Thus he says that any cheapening of the article itself or any reduction of costs of transport "as it were, increases the density of the population, since the density of population, as far as it affects the sale of any article, is merely the number of those persons who are able and willing to purchase it. Accordingly, it is in those goods that are intended for the use of the poor that the greatest improvements, by the introduction of machinery and the use of a more extended and better contrived system of a division of labour, have been established..........It is, therefore in the fabrication of those goods which are generally required by the labouring poor, that the greatest dexterity, ingenuity, and contrivance are to be found" with the result that the real wages of labour are consequently increased. (25).

SECTION VI: DISTRIBUTION AND SOCIAL PROGRESS.

(The final Lecture in the series of eleven "On Political Economy" is devoted to this subject. In it Longfield reviews his Theory of Distribution and indicates the main conclusions which are to be drawn from it.)

In the writings of the classical economists on the subject of Distribution attention was usually directed chiefly to its individual rather than its social aspects. Thus, they considered in detail the determinants of the general rate of Wages and Profits, and the general level of Rent, but rarely did more than make a few quite incidental general remarks on the subject of the relative importance of these three main distributive classes and the proportions in which the total social product was divided between them. From a dynamic point of view this question is probably the most important one in the whole study of Distribution, but it never received more than the most cursory attention from the classical school. Two main reasons may be suggested for this--firstly, the static state was the main topic of classical economics, and secondly, the nature of the labour or cost of production theory of value concentrated attention on the individual distributive shares as parts of the price of the finished commodity.

Perhaps because of his independence of this method of regarding prices, Longfield shows a better appreciation of the importance of this dynamic aspect of Distribution. "It is," he says, "by no means a useless or uninteresting occupation to reflect upon the various changes which in the progress of society take place in these great sources of revenue, namely, rents, profits and wages." (1) With this introduction he proceeds, in twenty-two pages of "miscellaneous remarks", to take the theory of Distribution evolved step by step in the preceding ten Lectures and review it as a whole, with special consideration of its social implications.

Having regard to the very unusual nature of that theory, it is not surprising to find that Longfield's views on the question of social progress differ considerably from any put forward by his classical contemporaries. The most striking difference, and also the first to become evident, is the prevailing optimism of Longfield's opinions. He is convinced that eventually economic laws operate to the benefit of mankind, and that "all the causes which diminish any source of wealth originate in vice or folly". Likewise he rejects the view "that the three principal classes have interests directly adverse to each other." Admittedly the interests of the parties to a contract are opposed at the time of making it, but previous to it they have a common interest that "the articles which are the subject of the exchange should be produced in the best and cheapest manner." All this is not perhaps too clearly expressed -- the contract referred to seems to be an exchange of final goods rather than a contract for employment of factors of production, and although we are told that the interests of the parties are in harmony before the making of the contract, nothing is said of the position afterwards, which is surely the most important one from the point of view of Distribution. However, the point which Longfield seems to be endeavouring to make is that all persons, to whatever class they may belong, have a common interest in wishing the social product to be as large as possible in total amount.

From these general considerations Longfield turns to consider the changes in the relative positions of the three distributive classes in the progress of society. In so doing he follows the order of his own scheme of Distribution once again, and so deals with Rent first. In common with most of his contemporaries, he gives it a peculiar position, setting it apart from other sources of revenue since it is a surplus of payment arising from special circumstances, and not from any productive activity on the part of the landowner.

There are, in Longfield's view, two main influences affecting the development of Rent as a source of revenue. On the one hand, increase of population raises food prices and compels "resort to inferior soils" and this increases rents. On the other hand, improvements in agriculture lower food prices and would also lower rents if introduced suddenly and universally. In fact, their introduction is slow and gradual, with the result that their effects are offset by the increase of population. Longfield holds that the two tendencies usually almost balance each other, with the result that "the price of corn is kept nearly stationary; consequently land, now taught more cheaply to yield a more abundant produce, is capable of yielding a higher rent, and the income of the landlord is increased, although the society is not obliged to pay a higher price for the materials of its subsistence." (2) Thus, in the course of economic development, the rent received by the individual landlord in-creases in amount, as also does the aggregate total of rents paid in the community, but this increase does not take place at the expense of society. Indeed, as Longfield has explained in his lectures on Rent (see above, Sect.III) although the aggregate amount received by the Landlord class increases, the proportional share of the total product which they receive actually decreases, for the cultivation of inferior soils means to him an increase in produce and not a relative decrease.

This is a very different conclusion from that reached by Ricardo and his followers, who considered that rent made up an increasing proportion of the total product in the progress of society, while that product was itself decreasing relative to the population. This theory placed the interests of the landlord in direct opposition to those of the rest of society--society benefited from a low price of corn, but the landlord gained from a high price. This was the most powerful of the classical arguments against Protection, and it gave the rising manufacturing class, the supporters of Free Trade, a powerful weapon against the landowners.. Longfield's theory shows no such discord between the interests of these classes, but he goes beyond this and devotes several pages to reinforcing it with a defence of landed property and land owners.

First, he remarks that it is sometimes thought that "the condition of the landlord improves faster that that of other classes" for as society progresses the increased amount of profits is earned by a greater quantity of capital, and the increased wages by a greater number of labourers but the increased amount of rent is paid for exactly the same area of land. Longfield admits the truth of this, but contends that "the number of landlords has also a tendency to increase", so that increased rent supports a greater number of people also. He apparently deduces this from the law of of inheritance, but he advances no proof of the contention. Nor does he point out the much more significant fact that in the course of progress there is increased average ownership of capital and increased output of labour, exactly equivalent to this increase of rent on land. (3) He is on safer ground when he goes on to say that as articles of necessity and luxury are more cheaply produced, the same amount of rent can support a greater number of people as progress continues. "An estate in England would probably, at the present day, furnish ten families with the same amount of necessaries, comforts and luxuries that a single family could receive from it 200 years ago" with the result that "increased rents afford the materials of subsistence and innocent enjoyment to an increased number." Were it not for "several artificial institutions" the number would be much greater, but even then there would hardly be too many landlords. (4)

A defence of landed property was perhaps only to be expected from Longfield, himself a real property lawyer and a member of a family of landowners. Nevertheless, it certainly cannot be suggested that his aim in building up his theory of the progress of Rent was to counteract Ricardian views and set up a defence of rent and land owning. He was never an advocate of a Protection policy, and in all his very extensive work on land tenure in Ireland he was as much concerned with the interests of the tenants as with those of the landlords.

Rent thus receives a remarkably lengthy consideration in this Lecture, but Longfield makes it plain that he considers Profits and Wages much more important sources of wealth. Their great difference from Rent lies in the fact that "they afford a stimulus to production, and so far as one does not interfere with the other, it is desirable that both should be as high as possible." He is, however, emphatic on the point that legislation can do nothing to raise either profits or wages--"every thing must be left to contract."

In dealing with Profits, the second source of revenue in Distribution, Longfield first repeats that it is the efficiency of the "last, or least efficient capital" which regulates the general level of profits, and he gives an interesting caution against confusing this 'last capital' with the last capital applied to land:- "....when inferior soils are brought under cultivation, some of the capital employed for that purpose is of the most efficient kind in superseding labour, and it is its efficiency in this latter respect that regulates profits." (5)

Longfield now relates this theory to the dynamic state. His view is that in the course of progress the rate of profits must tend to decline as the accumulations of capital increase, and the opportunities for its use are filled. This tendency is offset, however, by four main circumstances. The first is the increase of population, which "gives a greater scope for the employment of capital, and provides a more extended market for its productions." The second is the occurrence of improvements and inventions which provide new openings for the use of capital; this, while it serves to increase profits, does not operate to the detriment of the labourer, for it increases his productivity also. "The increase will always leave to him at least the same share as before, and generally even a greater, and will lead to a further accumulation of capital, to the additional advantage of the labourer." (6) The increase of skill and good conduct on the part of the labourer also serve, in Longfield's opinion, to increase profits slightly but to increase wages much more. (7) The fourth cause counteracting the fall of profits is that, as civilisation progresses and extends, "intelligence, attention and industry" will be more general among capitalists, and their "vigorous exertion" of these characteristics will serve to stay the downward trend of profits somewhat. These last two causes do not seem very important; in actual fact, the emergence of new wants in the course of progress would be a far stronger counteracting tendency, but Longfield does not appear ever to realise this.

Despite these counteracting influences, Longfield thinks that capital will accumulate faster than profitable uses can be found for it, and so the general rate of profits must fall. There is no need to anticipate evil consequences from this, however; a low rate of profit has numerous advantages. "The first direct and most striking effect of a habitually low rate of profits is to render the future and present period of nearly equal importance in all pecuniary speculations." (8)Longfield develops this "time discount" thesis in a manner which again strikingly anticipates the work of Bohm-Bawerk and the Austrians; he shows the character of the choice between present and future advantages and its relation to the rate of profits (or more precisely interest)with great clarity. To secure any given'advantage' in the future requires a greater immediate sacrifice when profits are low, for "in comparing any present and future adwatange, if each is to be measured by the price that it would cost at the time of enjoyment, an allowance must be made in the comparison, for the profit that in the mean time might be made of the price of the former. If the rate of profit is 20%. per annum, two advantages, of which one is to be enjoyed now, and the other at the end of a year, would be of equal present values when their proportions were as 5 to 6, since £100 now would at the end of a year be made £120. If the rate of profits is 10%. the proportion must be as 11 to 10; if 5 per cebt, as 21 to 20; and so on, as the rate of profits diminishes, the proportion will become nearer to equality." From this comparative equalisation of present and future important consequences flow, which are beneficial to society in the long period. Enterprises which could not be undertaken when the rate of profit was high, will become suitable openings for investment. All kinds of durable capital goods will be constructed and will also be better maintained:- "Thus roads, canals, quays, docks, bridges, and all kinds of buildings, public and private, will be constructed with greater care, and will become desirable modes of investing capital." There will also be beneficial effects in the wider, less strictly economic shpere. Education, "which implies a present sacrifice to procure a future good," will become more prevalent, whilst 'dirt and inhumanity',things "scarcely more disgusting to the senses than injurious to material wealth" will decrease.

A further consequence of a low rate of profits mentioned here brings out clearly one of the main reasons why Longfield never distinguished profit from interest. He says that as the rate of profits declines the element of wages of superintendence involved therein will tend to increase, both absolutely and proportionally.

"Capital, in consequence of the increased competition, will do little unless it is wisely and carefully superintended, and the labourer will in general be possessed of some capital, the employment of which will add to the apparent wages of his labour." This decline in the element of pure profit is not to be attributed to any reduction of risk and uncertainty, it seems, but only to the decline of the interest element due to abundance of capital. Even to secure the "normal return" on his capital the proprietor has to superintend it more carefully. This definitely implies that the capitalist must always work with his capital -- the possibility that he may lend it to some other entrepreneur is not contemplated.

A further example of this idea is given when Longfield comes to consider the corresponding disadvantages of a low rate of profits. He enumerates three -- "1st. The reduction of the income of the capitalist. 2ndly. The difficulty it adds to the accumulation of capital. 3rdly. The inducement it holds out to the proprietors of capital to remove it to another country." (9) The first of these is counteracted by the fact that although the rate of profits may be very low, the aggregate amount of them will be large, while the second will be offset by the existence of a habit of saving. The tendency of capital to migrate will be checked by the fact that most of it will take the form of very durable capital-goods, rather than liquid capital-disposal. But also the capitalist will not be easily tempted to migrate from a civilised country to a "comparatively barbarous" one, where his personal skill will be valueless; even if some capital does migrate "its loss will not be felt, the quantity removed will be so small, compared with the abundance left behind." Here again isthe definite idea that the capitalist and the capital are inseparable. This idea was not so far from being true a century ago as it appears to be now, but even so the lending of capital was by no means an extraordinary phenomenan at the time when Longfield wrote. He himself deals fully with it in his articles on banking. It seems, however, that Longfield does take account of the possibilities of domestic loans, but thinks of <u>foreign</u> loans as exceptional.

Longfield's theory of the movements of profits may then be summed up as being that in the progress of society, capital accumulates to such an extent that the rate of profits on it must decline. The aggregate total amount of profits increases with the increase of capital, and may be very large, but nevertheless the inference seems to be that Profit is a declining proportion of the total social product. (10)

Superficially these views are very similar to those of Ricardo and other classical writers, who also anticipated a fall of profits - but from the aggregate as well as the individual point of view. Longfield, however, had reached the conclusion that profits must fall from very different permisses. The fall of profits is not the result of the "niggardliness of Nature", but of the abundance of capital and the wealth of society, which benefits all classes, and does not impair the position of the capitalist particularly.

Coming, lastly, to the question of changes in the share of the total product going to labour, Longfield indicates how this tendency to a fall in the rate of profits has a beneficial effect on the condition of the labourer, since his wages depand on the rate of profits and the productiveness of his work. In this and in all his discussion of changes in Wages in the progress of society, Longfield is strongly inclined to consider individual wages rather than the proportional share of labour, and does not seem to realise that the two may vary quite independently.

He emphasises that "the condition of the labourer is rarely stationery for any length of time." Increase of population affects it greatly; in the first place it tends to raise profits, but generally this is offset by the accumulations of capital, which Longfield always seems convinced will be very great. It has a much more important effect in compelling 'resort to inferior soils', which reduces the productivity of agricultural labour. This is "a serious evil"; not only are the wages of agricultural labourers reduced, but the real wages of every type of labourer are also adversely affected -- "the labourer finds increased difficulty in providing subsistence for himself and his family." Here Longfield is evidently only concerned with individual wages, and it does not occur to him that if the lower wages are earned by an increased number of labourers, the proportional share of Wages in the total product may be increased . (11) It must be emphasised again that Longfield never postulates any connection between the price of subsistence and the level of wages, as did most classical writers, so that an increase of wages, either individual or proportional is not to him as it was to them an inevitable consequence of resort to inferior soils. (12)

Even so, he does not consider that the condition of the labourer will be necessarily worsened by increase of population, and the diminution in productiveness which ensues. For"the evil arising from the necessity of resorting for subsistence to inferior soils, may be neutralised by other circumstances, which will probably occur as society advances." The first and most important of these circumstances is improvements in agriculture, which reduce the cost of obtaining subsistence. There is no necessary connection between the increase of population and the spread of improvements: "either may exceed the other; and the condition of the labourer is materially affected by the direction and amount of the excess." Longfield does not deal with the subject of population, which he thinks "too extensive to be discussed at present" but merely remarks that it has a natural tendency to increase. Improvements accompany this increase and are just as much its natural and inevitable consequences as is the resort to inferior soils. "But this secondary effect of the growth of population, this beneficial counteracting influence, is very dependent upon the wisdom of our institutions for the extent to which it will prevail." (13) A dense population is favourable to the spread of knowledge and civilisation, but without security and good government this effect may be nullified. However, when wise institutions do prevail "we have every reason to hope, that with the progress of society, population and wealth will increase together, and that more human beings will be supported in greater comfort than heretofore."(14)

Other circumstances also contribute to combat the effects of having to resort to inferior soils. Chief among these are the increased use of machinery in industry and the spread of division of labour, which raise the real wages and standard of living of the labourer. "He will gain more by the diminished price of all other articles than he will lose by the dearness of food and all raw materials." Cost of transport will also be reduced, so cheapening goods further, and a greater proportion of the population will be in possession of "moderate conforts."

From all this, Longfield concludes that in the course of progress the circumstances which affect the state of the labourer will alter'in a manner favourable to his condition'. "If life and property are secured, the rate of profits will diminish, and labour will become more productive, and the relative value of each man's labour will increase". (15) He sums up with the characteristic comment:-- "I do not apprehend that in the natural course of things, the increase of population, with all its attendants and consequences, will be prejudicial to the labourer."

This conclusion, so diametrically opposed to the prevalent classical view,affords perhaps the most striking example of the optimism of Longfield's conclusions and his confidence in increasing productiveness. From this it appears, having regard to the trend of Rent and Profits that the proportional share of the product going to labour will increase with progress, as well as the rate of wages.

Such then is Longfield's view of economic progress. His remarks do not perhaps fulfil the ideal of a "Theory of Proportional Distribution" but none the less they give a very clear idea of his conception of the nature of dynamic changes in Distribution.

Superficially, his conclusions seem identical with those of the classical authors, who also predicted a rise in Rent, a fall in Profits and a rise in Wages, both absolutely and proportionately. Only in the matter of Rent, however, does this resemblance go any deeper. Here Longfield agrees with the clasical school that rents must rise as population increases and requires a greater food supply. Yet, even here he does not follow them all the way, for he does not contend that Rent increases at the ex ense of other sources of revenue, but takes the exactly contrary view, that produce increases faster than Rent. Again, in his theory, the fall of profits and the rise of wages are not due to the causes assigned by the classicists-- that the increased difficulty of obtaining subsistence necessarily procures for the labourer a higher wage to enable him to pay for it, so leaving a steadily diminishing share for Capital in a product which is itself diminishing relatively to population. Instead this order of things is reversed --profits come first and wages receive the residue; profits fall through abundance of capital, and the residue left to labour is an increasing one, for the share taken by profits declines. Furthermore that residue is an increasing share in an increasing product, due to the rising productiveness of labour.

Therein lies the all important difference between Longfield's view of social progress and the classical one. Its keynote is not diminishing returns, but increasing productivity; the whole theory is couched in terms of a product increasing and not decreasing in proportion to population. This expectation of increasing productivity is based upon antidpation, not of 'increasing returns', but of technical progress alone. Longfield's confidence in this is most striking, and this is the essential feature of the contrast between his theory and the classical. Ricardo and his followers worked on the assumption of a static state of productive technique, but Longfield worked on the dynamic basis of constant technical improvements. So where the classical scheme of Distribution led its followers to pessimistic conclusions, Longfield's new theory formed a sound basis for his optimism, an optimism which was in fact far more justified than classical gloom by the course of events in the subsequent half-century.

II.

This discussion of social progress completes Longfield's Theory of Distribution by applying it to the dynamic state. Taking the theory as a whole, its unity appears as its most striking characteristic. In it Longfield did not merely reproduce the classical view, with the addition of significant criticisms or modifications. He built a new theory from its very foundation-- that foundation being the Theory of Value.. It cannot be said that he worked out a complete marginal theory of distribution. The essence of his method is the treatment of the returns to the factors of production as prices fixed by demand and supply - a very sound approach and remarkably similar in some respects to the method of modern equilibrium theory.

In fact, Longfield did not improve the classical analysis, - he superseded it. Yet the world of Political Economy remained, for the most part, completely unaware that anything of the kind had happened. In England there was never any recognition of the fact that the Classical system had even been questioned. In Ireland, as already mentioned, (above, Sect. II) the theory was the subject of enthusiastic praise, and it was thought that it was so far superior to the Ricardian analysis that it must soon supersede it altogether. Far from spreading, the fame of the work soon died completely, and after its first success there seems to have been only one other reference made to Longfield's Theory of Distribution before the end of the nineteenth century. This was in the form of a paper, "On the English and Irish Analyses of Wages and Profits", read to the Dublin Statistical Society in 1848 by one Robert Vance, a barrister-at-law. He comments on the small notice accorded to Longfield's work in England, giving as an instance the fact that it received no mention at all in McCulloch's "Literature of Political Economy". "I suppose" he comments "Mr. M'Culloch never thought of looking into Irish works upon the subject, under the influence of the sentiment conveyed by the question "Can anything good come out of Ireland?" (16)

However, that may be, the fact remains that Vance alone thought it worth while to comment upon the "Lectures on Political Economy"; his plea for consideration of it by other, more influential writers went unheard and was forgotten along with the "Lectures" themselves.

OTHER ECONOMIC WORK

S E C T I O N. VII

INTERNATIONAL TRADE.

(This Subject receives a complete treatment in the "Three Lectures on Commerce and One on Absenteeism." Most of the material on the subject of trade in general is included in the first three of these, but some interesting observations are also found in the "Lectures on Political Economy.")

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The plan which Longfield followed in his first course of Lectures was that of building up a theoretical outline in his first year before proceeding to the discussion of more practical questions in the second. This was an eminently sound teaching method, but perhaps regrettable from the wider view point of the development of economic analysis. In consequence of it, the lectures which follow the Theory of Distribution have a more definitely topical character - especially the "Four Lectures on Poor Laws" which are entirely a "tract for the times." They are, none the less, excellent in their own field, and fine examples of Longfield's scholarly reasoning. Moreover, the "Lectures on Commerce" contain some very significant contributions to the doctrine of International Trade, and may indeed be ranked after the "Lectures on Political Economy" as Longfield's most important economic work.

Yet these Trade lectures also have their topical aspect, and do not really represent a conscious and deliberate attempt to develop or explain a theory of international exchange. Their main subject is, in fact, a discussion of the relative merits of Free Trade and Protection policies, and the effects of tariffs and bounties. The reason for this particular treatment must be sought in the circumstances of Ireland at the time.

In 1834, the first agitation for the Repeal of the Union of 1800 was beginning, led by "the Liberator," Daniel O'Connell. Since the Reform Act of 1832 had been secured the question of Repeal had come more and more into the foreground in Ireland, and by 1834 it must have become the main subject for political discussion in Dublin. But although it was primarily a political question, it was not without very important economic aspects. One of the main provisions of the Act of Union was the establishment of complete free trade between England and Ireland; it enacted that all duties on the import of English manufactures into Ireland were to cease after a period of twenty years and made a similar provision as regards Irish imports into England. Further, Ireland and England were to have the same privileges and be on the same footing "generally in respect of all Trade and Navigation in all Ports and Places in the United Kingdom and its Dependencies." (1)

This provision of the Act of Union was a source of endless controversy. On the one hand the advocates of the Union pointed to it as producing the greatest benefits for Ireland by expanding her export trade with Britain, while on the other the opponents of the measure condemned it whole-heartedly as being ruinous to Irish manufactures. These manufactures were exposed by the provisions of "Article Six" to the full force of English competition at a time when English industry was developing with unprecedented rapidity.

It is not easy to ascertain the precise extent to which Irish trade and industry was affected, (2) but it appears that there was undoubtedly a great increase in English imports of manufactured goods into Ireland, offset, however, by a corresponding increase in Ireland's agricultural exports. Yet although Ireland did not, perhaps, actually lose on balance through the trade provisions of the Union, her trade was certainly dislocated, and for some time there was considerable hardship and unemployment brought about by the removal of protection from Irish manufactures. For the most part, these were overwhelmed by English competition, and this was felt as a very strong grievance in Ireland. Naturally, therefore, the ruin of Irish manufactures was one of the main points in the case for Repeal. (3)

Naturally also the dislocation and suffering produced affected the public mind much more strongly than the less evident, if not less real, growth of prosperity in other quarters. Doubtless it seemed that the political economists' stout championship of Free Trade and laissez-faire as the best policy to aid the prosperity of nations, however sound in theory, was not borne out by the practical experience of Ireland, and so it was perhaps inevitable that the validity of such theories should be questioned.

Longfield's chief purpose in giving the "Three Lectures on Commerce" seems to have been mainly to expound the principles on which the policy of Free Trade was advocated, and to prove their validity, pointing out that their application could not produce positively injurious effects. Most of the arguments he uses for this purpose are merely expositions of fundamental and elementary propositions, which have always found wide acceptance among economists, and as such they are of no particular value as contributions to economic thought. Interspersed among them, however, are a number of observations of great brilliance and originality, about the theoretical basis for these rules of policy, which represent marked advances on the trade theory of the time. In the absence of a systematic development of such a theory by Longfield himself, it appears that his views on international commerce in general can best be considered and displayed by taking separately the various points on which he has important comments to make.

II.

1. The causes of trade. In using such an approach, the natural starting point is from the causes of trade, and indeed on

this question there is a considerable divergence between Longfield's theory and that of the classical authors. The classical Ricardian theory of "comparative cost" was essentially a development from the doctrine of labour value, and in view of Longfield's development away from that doctrine, it is hardly surprising to find that he did not follow the rigid comparative cost analysis either. It is true that he never formally abandoned the concept of labour as a measure of value, which would have been in itself sufficient to enable him to employ the comparative cost approach in its original form. Yet, even if he never admitted that labour was not a suitable measure of value, he tacitly conceded the point by never making use of it consistently as such a measure, and he adopts something of this same attitude towards it in relation to international exchange as he did in relation to ordinary exchanges.

In the early part of these lectures, whilst considering the effect of imposing a duty, Longfield says, in explanation of a hypothetical case;- "I suppose the things of different values in different countries; for it is this difference which gives rise to all foreign trade." (4) The values which he takes in this and most other examples are barter equivalents, not labour costs. He uses this method frequently, evidently for the sake of simplicity, but in another place, having given another example of international exchange, he adds significantly;- "The manner in which this is brought about is this;- Exchanges are effected by the intervention of money as a standard of value." (5) This might tempt one to think that Longfield had abandoned the classical concept of trade arising from real cost differences in favour of a money cost approach similar to that advocated by various modern writers. However, it cannot really be said that this is the case; he frequently works on the labour cost basis (6) and while he never uses the correct classical method of reducing all costs to simple labour terms, he usually does assume that the values of the goods exchanged are proportional to the quantity of labour devoted to their production. In fact he does not specifically consider how these international trade values should be measured at all, but simply follows his usual custom of employing labour and other measures of value indiscriminately. Likewise in customary fashion, although he makes use of labour as a measure of value, he does not build his theory of the causes of trade simply on labour-cost differences.

This fact is clearly demonstrated when Longfield comes to consider the underlying causes of the "differences in value" which give rise to trade, for he then breaks completely with classical tradition in saying;- "In these two circumstances all commerce may be said to originate -- namely, a difference in the proportion of the productiveness of labour of different kinds, in different countries, and the different scales by which the relative wages of labour vary in different countries." (7)

In the latter half of the sentence, the divergence is immediate and obvious, for wage differences were excluded <u>ex hypothesi</u> from the classical theory, but at first it may seem that "differences of the proportion of the productiveness of labour" is only another way of phrasing differences in comparative labour cost. In a sense it is, for it is really a development of the comparative cost idea into a much wider form. Instead of taking merely differences in labour costs, Longfield broadens the concept in such a way as to bring into the question virtually every difference in productive equipment (8). He enumerates four main causes of productiveness; first, "the prevalence of integrity, intelligence, industry, perseverance, and general good conduct, among the labourers:" secondly, the prevalence of 'liberty and security' and sound political institutions, which allow production to take place and develop unhindered; thirdly, the comparative abundance of capital, and fourthly, "the cheapness of land, in proportion to its fertility and other advantages." All this is in addition to the more obvious differences of soil and climate which may give a nation special advantages of productiveness in certain lines of trade.

Thus, because he does not merely consider differences in labour cost or attempt to reduce all costs to this measure, Longfield is enabled to take a much wider and more realistic view of the causes of trade than would be possible on the assumptions of the Ricardian analysis. In consequence of this, he is able to make a considerable advance on the conclusions of that system, for his own method of approach naturally leads him to deal with the effects produced on trade by the factors of production being combined in different proportions in different commodities. Thus he gives an example of a country where capital is abundant, and profitss consequently low, with wages high, and says that "The tendency of commerce will be to export, from the latter country, such goods as require a large advance of capital, for a long period of time, in their manufacture, and to import all goods in making which, the amount and duration of the advances was less than the average period." (9) There are several other interesting examples of this idea in the "Lectures on Political Economy," of which the following passage is perhaps the best;-

"....suppose two countries between which existed a perfect freedom of intercourse, let them be similarly circumstanced as to soil and climate, but in one the inhabitants are all free, while in the other the labouring part of the population is in a state of slavery. The commerce between those countries will necessarily consist of exchange of the products of harsh disagreeable labour from the country of slaves, for the results of skilled and educated labour from the land of freemen. The master will not employ his slave in a more agreeable kind of labour, when he can gain a little more by a different sort, whatever be the hardship and disagreeableness. But the freeman will not sell so cheap this additional sacrifice of ease and comfort; but as his own interests, not those of a master, are concerned, he will learn every kind of skilled labour with greater facility and less expense than the slave." (10).

On the Ricardian assumptions, it would not be possible to take account of these variations in the proportions in which factors are combined at all (11) since all other costs would have to be reduced to the common measure of labour. Yet, as is now recognised, these varying combinations may, and do, have an important effect on the course of trade and in realising and showing this, Longfield made a very original and important addition to the theory of the origins of trade.

He was enabled to make a further advance, along similar lines, by his consideration of "the different scales by which the relative wages of labour vary in different countries." This brings into the problem the question of the effect on trade of the existence of non-competing groups, another point never considered in the classical analysis, where all labour was assumed to be homogenous and wage differences were eliminated. Longfield, however, is able to show how wage-differences affect the character and direction of trade;- "In one country, honesty and skill may be rare and high-priced qualities, and add much to the relative wages of the labourer who is required to possess them. In another country, the general comfortable condition of the people may render the labourer most unwilling to encounter severe toil, and a great increase of price may be necessary to induce him to engage in a disagreeable or unhealthy occupation. In this latter country, honesty, and that attentive disposition which quickly produces skill, may be the general qualifications of the people. On this supposition, if no disturbing causes exist, manufactures which require honesty and skill, will exist in the latter country; as the labourers possessing those qualities will sell their labour cheaper in proportion to its productiveness." (12).

So here again, Longfield's wider view of the causes of trade enables him to improve considerably on the then accepted theory;

and he is certainly far in advance of his time in this description of the effects of non-competing groups on trade.

He does little more, however, than show his recognition of the existence of this problem and does not refer to it again when considering the possibilities of international specialisation.

Another important consequence of Longfield's altogether less simple view of the causes of trade is that he extends his analysis to cover the case of trade in more than two commodities. Ricardo and his followers always confined their explanations to the simple "two-country, two commodity" case, where comparative costs clearly determine the import and export commodities. Longfield considers trade in a range of commodities, and has some significant remarks to make on the factors affecting the choice of import and export goods in this case. Thus he says;-

"If English labour is, on an average, three times as productive as French labour, those kinds of labour in England, which are four times as productive as the corresponding French labour, will be cultivated in England, to the exclusion of France from the market of the world, and those kinds of labour which in England are twice as productive only as the corresponding kinds in France will, in turn, be cultivated in France, to the exclusion of England from the market of the world."........ Commerce will flow according as the proportion in particular trades is below or above the average proportion." (13).

A similar idea appears in another passage;-

"Let us suppose the productiveness of English labour to be ten times as great as that of any other nation, in the production of tin, calico, coals, cutlery and pottery. The wages of her labourers will, in consequence, be much greater thanthose in any other nation; suppose them eight times as great, and suppose that English labour is only twice as productive as foreign labour, in the manufacture of other commodities. These latter, therefore, will be fabricated in the rest of the world, at the fourth part of the price which it will cost to make them in England." (14).

In these passages Longfield does not really present a completely adequate solution for the problems of trade in a range of commodities, but he goes far towards it, showing the influence of comparative wage rates on the selection of the import and export lines.

All this is a natural result of Longfield's comparative independence of the doctrine of labour costs; he did not abandon thee comparative cost explanation, but rather developed it in a very characteristic manner. Essentially his doctrine derives from his own theory of wages in which he first developed the idea of "productiveness" which he here uses to explain differences in costs. In so doing he has, perhaps, placed himself in a rather inconsistent position -- he has stated that international trade springs from differences of value, but has not made it clear how those value differences are to be understood. The theory he has developed certainly makes labour-cost measurement impossible, except on the most extreme assumptions. There remain the two possible alternatives of a combination real-cost and a money-cost explanation. It seems that the latter could alone cover all the factors which Longfield has introduced, but he himself gives no indication of what method should be employed. He simply employs the most convenient approach on each occasion without any specific consideration of this problem at all. His work is undoubtedly deficient in this respect, but it must be remembered that he was not attempting to build up a consistent theory of trade and that his observations on this subject are purely incidental to his main arguments. Certainly, he clearly demonstrated that the basic cause of trade is differences in factor equipment, and in doing so he made notable additions to the theory of the subject."

2. <u>The effects of Trade.</u> On this question Longfield has not a great deal to say. He is more concerned with the effects of duties on the terms of trade than with the effects produced on an

economy by the development of trade with other states or regions. He analyses the effects of duties and absenteeism in great detail and with considerable ability, but as the discussion follows orthodox lines for the most part, it does not require to be considered in much detail here. The guiding principle according to which Longfield explains the effects of tariffs and similar restrictions is: "imports are governed in amount by exports," and vice versa. Every restriction of imports, he therefore concludes, must result in a similar reduction of exports. Protection therefore cannot produce any increase in employment inside the country, and in fact has an actually damaging effect on the economy for "the direct effect of commercial restraints is not to benefit the producer but to injure the consumer." (15).

There is nothing of any particular originality in all this, but in considering the incidence of tariffs, Longfield has some more interesting remarks to make. He agrees with the general statement that the incidence of tariffs and duties is on the consumer, but dissents from M'Culloch's proposition that this incidence is always complete. Some part at least of the tax will, he thinks, be shifted back to the producer, for when the price of the article is raised the consumption of it will fall off somewhat, so lowering the returns to producers. In any case where the mobility of labour and capital is incomplete "a tax equivalent to those disadvantages may be imposed, and will fall entirely on the producer." (16) If the tax exceeds this amount, the factors will move into other lines, but in the case of International Trade, Longfield assumes, the factors cannot move outside their own country, so that "all the difficulties of producing any article, which is peculiar to one country, must either be borne by the capitalists and labourers of that country, in the form of reduced profits and wages, or the manufacture of that article for export must be given up." This argument is the basis of his interesting contention "that a duty upon exportation, although appearing to press solely on some particular trade, is in reality the most equal tax that can be imposed upon the public." (17) Such taxes "reduce the wages of labour, and thereby diminish, in the same proportion, the incomes of labourers, capitalists and landlords." § Longfield's remarks on the effects of absenteeism on the terms of trade also show remarkable insight into the problems of trade. He refutes the argument that absenteeism cannot harm a country since "it is a matter of perfect indifference to the country whether the opulent landlord himself consumes his country's manufactures, or sends them abroad in exchange for the foreign goods which he prefers to consume. In either case the same encouragment is given to domestic industry." (18) The error in this, in Longfield's view, lies in the fact that whereas it is asserted that the amount of goods sold must remain the same in either case, no account is taken of the fact that the producers may not receive so high a return for them. The case is analogous to an increase of supply being sold to a larger number of consumers at a lower price, but here the same supply is disposed of to a smaller number of consumers, again at a lower price. The exportation which takes place as a result of absenteeism results from diminished demand at home, not increased demand abroad, and although the same amount of industry may appear to be employed the country is actually poorer. So Longfield thinks:- "It is advantageous to a country generally that its inhabitants should not give a preference to foreign commodities, although by this taste, they will increase the exports as well as the imports of the country." The trade produced by absenteeism may, and does, produce injurious effects on the country from which the landlords absent themselves, for it alters the terms of trade to its disadvantage. (19)

In this, Longfield has demonstrated the working of reciprocal demand in relation to the terms of trade in a remarkable manner. His explanation of the manner in which such movements of demand affect international values appears to have been the first ever given. He also extends this analysis of international demand to the problem of effects on wage-rates. Taking the case of two countries, each of which is specialised in the production and export of one particular commodity he shows how "an increased demand for the staple commodity of either country, will have a tendency to raise the wages of labour there." Consequently, he declares* that "our trade with any particular country has two distinct possible effects, one to furnish us with the natural products, or the manufactures of that country: another, to increase the price of our countrymen's industry in all other countries." (20).

It is a regrettable consequence of the character of these Lectures that Longfield's excellent analysis of reciprocal demand appears as an argument against absenteeism, and is never linked up with the comparative cost aspect of the problem at all.

Combined with his unusual view of the nature of those costs, it might have been expanded into a remarkably complete and advanced theory of international exchange. As it is, it remains another brilliant, but isolated, contribution to the subject.

Apart from this, Longfield's comments on the actual effects of trade on a region, as compared with the state of isolation, are brief. At the beginning of the Lectures, he discourses on the more obvious effects of trade in providing consumers with articles which could not be produced at all by domestic industry, but he only makes incidental comments on the more strictly economic effects of commerce. At one point he does indicate that trade lowers the prices of final goods;- "By dealing solely with nature, that is by producing all our goods ourselves, we should be obliged to pay still more for them." However, he never reaches the point of saying that it tends also to equalise the prices of final goods in the trading regions, although this conclusion is implicit in some of his writing.

On the other hand, he has some very interesting observations to make concerning the effect of trade on the utilisation of the factors of production. As has already been noted, he shows how trade enables a "territorial division of labour" to take place, so bringing about a better employment of factors. Also, in the "Lectures on Political Economy" he shows a very definite appreciation of the fact that trade is to some extent a compensation for the immobility of factors: "Commerce, which exchanges the productions of human labour, has the same effect as if the labourers themselves could move from one country to another, without greater expense or inconvenience than attends the removal of the goods which they manufacture." (21) This certainly constitutes one of Longfield's most noteworthy comments on international trade, and another remarkable anticipation of modern doctrines. Yet aside from this particular point he maintains the usual classical assumption of complete international immobility of factors, and complete inter-regional mobility, and this even despite his own recognition of the existence of non-competing groups.

Perhaps partly on account of this, he pays very little attention to the question of the effects of trade on income distribution. It might be expected that his view of the specialised employment of factors resulting from trade would have led him to consider how this affects the income of the economy and its distribution between the various classes of recipients, but he only touches very lightly on this question. In the passage just quoted from the "Lectures on Political Economy" which occurs during the discussion of movements of wages (see above, Sect.VI) he does demonstrate that relative wages are raised by trade, which increases the demand for the more abundant types of labour. There is also the case already mentioned of the effects of demand on wage-levels. Apart from this, however, Longfield has nothing to say about the effects of trade on income distribution. In fact at one point he goes so far as to say;- "The wealth of a nation consists of the products of its land, labour and capital - minus its exports, plus its imports. Those products and that wealth, are divided among the several classes of society, according to certain proportions; which proportions can be very little affected by the course of trade." (22).

3. The 'gain' from trade. Holding such a view as that, Longfield could scarcely be expected to deal very thoroughly with the 'gain' from trade in the wider economic sense He censures a contemporary, Dr. Chalmers, for taking the view that "the only use of foreign trade, is to procure us foreign articles" and neglecting its secondary effects, but he himself is very much inclined to take an equally superficial view.

He does point out the advantage which results from specialisation of factors through trade; speaking of the idea that "nothing can be fairly made by trade" he says "this opinion is sufficiently refuted by reference to the personal and territorial division of labour to which exchanges give rise." (23) This shows his awareness of what is, perhaps, the greatest gain from trade - the better utilisation of factors which it allows. However, he does not emphasise this important point very strongly, or consider its consequences, and he is rather apt to consider the gain from trade as solely a gain of satisfaction to final consumers.

This results chiefly from his pursuing too closely the analogy between international and inter-personal exchanges. International exchange has precisely the same effect, in his view, as any other;- "Each (nation) receives in exchange something which in its estimation is more valuable than what it parts with." (24) It is this view which leads Longfield to assert that "Commerce is not principally useful as a means of procuring a permanent addition of wealth to the country, but rather as a means of obtaining certain articles of speedy consumption." (25) This idea is evidently a result of his extending his explanation of exchanges in an ordinary market, as developed in connection with value, to the case of international trade. It may be remarked as perhaps the only instance in which his method of applying his theory of value to other problems led Longfield into something approaching an error.

In a few examples where he does specifically refer to the gain from a particular trade transaction, he either indicates how utility has been increased or decreased, or else, if he attempts a more definite measure, uses the customary concept of labour costs. Thus he says;- "The trade is profitable to us, if we prefer the goods we give to those which we receive (sic), and if they can give us an article for less of our labour than it would cost us to manufacture it." (26) He never measures the advantage of trade in terms of wealth or income.

So here Longfield, like most of his contemporaries, tends to neglect the question of the advantage of trade in the wider sense; in this respect he does not follow his theory of trade out to its logical conclusion, for it would certainly have admitted of a full consideration of the problem. Again, however, it may be said in his defence that he had no such deliberate intention in mind.

He is in fact considerably more concerned to show that no country can be the loser by engaging in trade, even with a much richer nation, and to prove his contention that "neither high wages, nor low productive powers, nor high taxation can ever prevent our industry from competing with foreign industry either in the home or in the foreign market." He bases his assertion on his view of "productiveness" which is in fact really developed for this purpose. Relative, and not absolute, productiveness must determine the course of trade, and consequently even though one country may be generally much less productive than another, it can still trade advantageously with this other, exporting any articles in which it has a relative advantage. "No one can for a moment suppose that the stream of commerce can continue to flow entirely in one direction, and that one nation can receive the goods of the other, without giving anything in exchange." And it will be profitable for it to export what goods it can, and receive other products in exchange, rather than to adopt a policy of Protection and attempt to produce all these articles itself.

In this case also, Longfield may perhaps be accused of neglecting the wider issues involved. His arguments are correct in theory, but again he confines himself rather to the consumer's point of view. Although he takes hypothetical examples, there can be no doubt that he has the case of Ireland in mind, and he ignores the real question in it — the dislocation of the economy produced by the removal of protective tariffs. Neither does he take any account of the possibility of a poor region being denuded of its productive factors by trade, for he assumes these to be immobile.

<u>4. Changes in trade.</u> Longfield's treatment of this subject is very similar to that which he gives to the others already mentioned; there are frequent comments, of no special importance, on changes produced by Protection, with but few observations on changes from general economic causes.

Of such general changes, he says;- "As every year produces improvements in our manufactures, so every year may be expected to bring some alteration in our commerce." (27) Following out his theory of the causes of trade, he explains these changes chiefly on the ground of alterations in productiveness. When a nation becomes relatively more productive in some line of manufacture, it may abandon its previous export goods in favour of this new product, and become an importer of articles formerly home-produced, even though it may still be able to produce these at lower cost than can the nations from whom it purchases them. "Exceeding superiority in some manufactures would render it unprofitable and imprudent for her merchants to engage in other lines of industry, where her superiority, although great, was not equally striking." (28) Such changes are continually occurring, according to Longfield, but he does not explain the possible causes of them in any detail. In fact this analysis really amounts to ~~mexe~~ no more than a statement of the fact that a change in the comparative cost position will alter the nature and direction of trade.

However, the possibility of changes in trade resulting from changes in reciprocal demand is not altogether neglected. Refuting the opinion that "because of those goods which are exported, a sufficient quantity remains within the kingdom, therefore those which are exported are mere surplusage, from which the nation would derive very little advantage, if they were left at home," he explains that "this.......is founded upon an incorrect view of the facts, for the goods which were exported, were manufactured in consequence of the demand for them, which existed in foreign countries, and if that demand ceased to exist, the capital and labour employed in their manufacture would be transferred to some other employment, either to produce goods for the foreign market, or for home consumption." (29) In addition to this, there is also the example previously quoted (above p. 110-111) of the effect of a change in foreign demand on wage-rates in the exporting country .

So in the case of changes in trade, Longfield also treats demand in a significant and unusual manner. His recognition of the real importance of demand in general value theory is doubtless the reason for this. Nevertheless he does not really give demand the importance it deserves in relation to trade and he cannot be wholly exonerated from the charge of devoting excessive attention to the supply and cost aspect.

5. "Three-cornered" Trade. Considering the 'popular' nature of the "Three Lectures on Commerce," it is rather surprising to find that Longfield deals specifically with the problems raised by introducing more than two countries as well as more than two commodities into the analysis, a point usually neglected even in theoretical works of this period.

Having explained the case of simple trade exchanges between two countries, and explained also how imports and exports must balance in such a case, he adds:

"This proposition is modified slightly, but the principle expressed by it is not altered, by the fact that many of our manufactures may be, and in fact are frequently paid for by indirect trade, not by direct exchange. Thus, we might export our cloth to France, although we took nothing from her in return. She might pay for our cloth by bills of exchange, drawn upon Holland; those bills will be paid for by goods sent from France to Holland, and Holland may receive payment of them in goods to be imported into England. The same consequences would ensue, though with less convenience to all parties, if the transactions I have mentioned were carried on by means of money, instead of bills of exchange. No money will be sent to us from any country in exchange for our goods, unless at the same time that country is receiving money from some other quarter in exchange for its goods; and unless, at the same time, we are sending abroad an equal amount of money. In relation to our commerce, all the world may be considered as one foreign country." (30).

This is an admirably clear and concise summary of the working of three cornered exchanges, but by resorting to the expedient of considering "all the world one foreign country" Longfield seems rather to avoid the more complicated aspects of the problem.

He has not done much more here than state the existence of the problem and dismiss it in the usual manner, as not necessitating any fundamental changes in the theory, and apart from this one incidental mention of the existence of multiple exchanges, he confines his analysis to the simple case of trade between two countries, even if not merely in two commodities.

In his "note to page 43," where he deals with the effect of demand on wages, he does, however, review some of the possible results of three-cornered trade, giving a numerical example :-

"Suppose a new kingdom discovered, the annual value of whose exports to us should amount to five millions sterling, we should derive from our trade with this country, the gratification which the consumption of their goods afforded, in place of that afforded by goods of equal value, which we formerly consumed.

But the discovery of this new market will have an effect on the price of our labour, which may be estimated as follows: suppose that they receive from us three millions worth of our goods, and that of the five millions worth of goods we have ceased to consume, three millions had been supplied to us from foreign countries, and two millions worth were the products of domestic industry, then the market for our industry will have been increased by one million. To that amount our desire for export will be diminished, and our demand for the goods of other countries will be reduced by three millions, and as they will have the same desire as before for our commodities, the price of our labour will rise, or that of theirs will fall, until the relative alteration of prices induces us to purchase more of the goods of other countries, or compel them to demand less of ours. Thus the balance of our imports and exports will be restored, but the condition of the labouring classes of this country will have been improved, if the amount of our goods demanded by the new market exceeds that amount, which, in consequence of its discovery we have ceased to consume. This effect may be counteracted or increased by the effect which the trade of other countries with this new market may have upon the wages of labour in those countries." (31).

So in this example Longfield analyses the effects of the entry of another economy into the circle of exchange, showing how the equilibrium of trade may alter, and change factor prices. Since he is primarily concerned with wage movements, he does not deal with all the possible results — the effects on other economies are very summarily dismissed in the last sentence - but the example is an unusual and interesting one for the time, and shows clearly that Longfield realised how extensive the repercussions of trade changes might be where a number of countries are involved.

This, again, may be remarked as an interesting consequence of Longfield's less simple view of trade problems. He can scarcely be said to have added anything new to the existing theory in this case, but he made a noteworthy attempt to deal with the wider implications of the question, and bring trade analysis into closer relation with reality. It is only to be regretted that he did not pursue the matter further, for had he done so he might have achieved a really remarkable expansion of the whole theory.

III.

Considering Longfield's contributions on the subject of trade as a whole, the same comment inevitably comes into the mind. The very fact that he did not attempt a systematic development of a theory makes the brilliance of his observations all the more striking, and it seems certain that had he devoted himself to the task of evolving such a theory, he would have produced a most remarkable result.

Having regard to the unusual character of his other economic doctrines, it might be expected that Longfield's views on trade would be of an original character, and indeed most of the advances which he made on the classical theory can largely be accounted for by reference to his other work. It was his comparative freedom from the idea of real costs as all-important which enabled him to expand the comparative cost doctrine and take a more complete view of the origins of commerce, and most of his other original ideas are the result of this wider view of the subject. So in International Trade as in other economic questions, Longfield improved on the doctrines of his contemporaries in a manner which was often a striking anticipation of modern methods.

Nevertheless, his other economic theories did not altogether prevent his analysis of trade from having considerable shortcomings.

On the question of the advantage of trade, for example, his adherence to his own subjective value theory led him to take a much too superficial view. Perhaps this may also be partly accounted for by the fact that he never defines the reasons for placing International Exchange in a special category and although he does take the classical view that the factors of production are completely immobile outside national boundaries, he is sometimes inclined to lose sight of the implications of this in trade theory, since he has never specifically stated that it necessitates a special approach.

Similarly, and perhaps for a like reason, there is no proper consideration of the problem of measurement of comparative costs, and it is difficult to say in what terms he is really considering international exchange. Measurement of values in labour terms is not possible on the basis of his theory, but he does not set up any other standard to replace it, and seems in fact to avoid this issue.

Despite such faults as these, there can be no question that Longfield made genuinely important and original additions to the classical theory of International Trade. Yet these also have gone practically unnoticed for a century, probably largely because they were concealed in a work which seemed to be of no general interest, but referred only to conditions at the time of its writing. Most of the authors who have taken account of Longfield's writings on Distribution have ignored his work on International Trade.

The first economist to take account of it seems to have been Dr. Jacob Viner, who in his article on "The Doctrine of Comparative Costs" (Weltwirtschaftliches Archiv, 1932) has noticed some of Longfield's main contributions to international trade doctrine. Professor Ohlin has also pointed out the striking manner in which Longfield anticipated some of his own theories in his work on "Inter-regional and International Trade." (32).

Here, as in other instances, Longfield was enabled to produce such original results chiefly because of his freedom from pre-conceived ideas. Once again, he was not content to accept and repeat current doctrines, but evolved his own explanation of the subject.

SECTION VIII. MONEY AND BANKING.

(This section is based on four anonymous articles on "Banking and Currency" published in the "Dublin University Magazine" in January, February, October and December, 1840.)

After his resignation of the Whately chair, Longfield's writings on economic subjects became brief and infrequent. The articles and papers which he produced have not, perhaps, the same permanent value as his volumes of Lectures, but they are by no means devoid of interest or merit. In fact they provide important examples of Longfield's views on the economic and social questions of his time and are a useful supplement to his all too scanty theoretical work.

Thus, since the "Lectures on Political Economy" contain no comment on monetary problems, it is of interest to find four articles relating to this subject which are generally attributed to Longfield. These appeared in 1840 in the Dublin University Magazine, a definitely conservative "literary review" founded in 1833 by a group of students and graduates of Trinity College.(1) Like the majority of the contributions to the magazine, these articles of "Banking and Currency" were anonymous, and there is in fact no direct evidence that they were written by Longfield. However, the views expressed are often the same as those found in the "Lectures on Political Economy" - sometimes the very wording is identical- and the style of writing is strongly reminiscent of Longfield. Accordingly, there seems to be no reason to question the view that the four articles are his work.(2)

It must be emphasised that these articles do not represent any attempt to explain the principles of banking or evolve a theory of money; they are solely concerned with the problem of providing a sound currency and credit system in the circumstances of Ireland at the time. Some knowledge of those circumstances is essential in order to comprehend the articles themselves.

The immediate reason for the publication of the articles, according to Longfield, was the fact that the charter of the Bank of Ireland was due for renewal in the coming Parliamentary session.

In view of this, he aimed to review the "principal opinions worthy of notice", as well as the evidence of sundry Parliamentary Committees, on the subjects of banking and currency. (3)

At the time the business of banking in Ireland was chiefly divided between the Bank of Ireland, operating inside a fifty-mile radius around Dublin, and a number of joint-stock concerns, working ourside that area. This state of affairs had been created by Acts of 1820 and 1825, which permitted the establishment of joint stock banks, with the right of note issue, at a distance of more than 50 Irish miles from Dublin, (4) Prior to this, the Bank of Ireland had been the sole provider of banking facilities, except for a number (steadily diminishing after about 1811) of relatively weak private institutions. Most of these closed or were amalgamated into joint-stock concerns when the establishment of the latter became possible. So for the first time the Bank of Ireland found itself faced with serious competition, and it met the challenge with vigorous counter-measures, establishing branch offices wherever the joint-stock banks operated. Before 1825 it had no offices outside Dublin at all. For the next twenty years, until the passing of the Irish Banking Act in 1845, there was sharp rivalry between the Bank and its joint-stock competitors. The latter strongly resented the partial monopoly of the Bank of Ireland, and it was frequently subjected to attacks accusing it of attempting to strangle the development of banking and credit facilities and re-establish its former complete monopoly. On the other hand, the law governing the conduct of joint-stock banks was somewhat ineffective and allegations of frauds and mismanagement on their part were almost as numerous as the charges against the Bank of Ireland.

At the time when Longfield wrote these articles this situation had been brought into special prominence by the crisis of 1839, which had made conditions very difficult for English banks. The conduct of the Bank of England in the crisis had been adversely criticised, and the supporters of joint-stock concerns had not lost the opportunity to point out its shortcomings. In these circumstances, questions of banking, and particularly note issue, were very much subjects of popular interest.

Such then was the background against which Longfield was writing, and its influence is very evident in his work on this subject. A very considerable part of the articles is devoted to discussion on the controversy concerning the relative merits of joint-stock banks as compared with a single bank of issue. The reader is left in no doubt as to which side Longfield favours. Throughout, he strongly defends the Bank of Ireland and its monopoly rights, which he characterises as properly a delegation of a sovereign power of the state, and whilst declaring himself "no enemy to joint-stock banks, nor inclined to deny their utility" (5) he thinks that the multiplication of their numbers is not likely to be beneficial to the community. Longfield's attitude in the matter seems to be that the right of note-issue ought to be confined to one institution and that the joint-stock firms ought to confine themselves to deposit banking-- a state of affairs identical with that brought about eventually in England by the Bank Act of 1844. Further support for this idea is given by the brief description of the main principles of banking with which the articles open.

This outline summary contains some of the most interesting points in these articles, as well as some of the best writing. The service performed by banks in acting as intermediaries in short term loans is well explained--they are able to make deposits "for which the possessors can find no immediate employment, and which at the same time they intend to invest or spend after some short uncertain period" useful to the community in the interval by lending them out on bills or other short-term security. Long term loans are usually arranged without the intervention of a banker but in providing short-term accomodation the banks perform a service to depositors, borrowers and the community alike. Were it not for the existence of banks taking deposits and allowing operations on them by cheque, these 'transitory' funds would lie idle in the hands of their owners, with consequent inconvenience and loss to all parties.

"This service, performed by banks of deposit, is very generally admitted" and so also is the function of banks of issue in providing a cheaper and more convenient form of currency--paper instead of gold. Yet, Longfield points out, the fact that banks of deposit perform a very similar service to this is generally overlooked. In fact, the drafts and cheques which are drawn against deposits operate as a circulating medium just as do notes. Longfield shows how all trade could be carried on on this basis without the use of money at all. He considers that "this assumed state of things is imaginary, and will never come to pass" owing to the cost of keeping a bank account and the inconvenience of cheques for very small sums. Nevertheless, he shows clearly that drafts and bills are much better adapted for large-scale transactions than metallic money or notes, being more economical. He is in no doubt that they form part of the circulating medium of exchange.

Although this idea was not original, having been clearly stated by Henry Thornton in 1802, (6) it had not gained general acceptance at this time, and in suggesting a considerable development of this method of transacting business by the aid of cheques Longfield again shows himself as a remarkably progressive thinker.

A question regarding deposits much discussed at this time, was whether they did or did not form part of the circulation of the country. Longfield's view on this point is a natural consequence of his contention that deposits are money - he thinks the distinction of notes and deposits nominal and unimportant. The only significant difference, he holds, is that deposits are "less active in making payments" - i.e., their velocity of circulation is lower. Money on deposit is usually not intended for immediate use and lies idle for some time. This idea is typical of the time for it shows that Longfield does not really contemplate the possibility of very frequent operations on a bank account. He appears to think of bank deposits always as interest-bearing, - deposit accounts in the modern sense, and does not refer to the use of current accounts. Nevertheless, he maintains the view that the difference between deposits and notes is at most one of degree.

Deposits do differ from notes, however, in that they are a more dangerous liability, according to Longfield, and he considers this a much more important point. He bases his opinion on "the principle of statistics...that in proportion as we extend our enquiries over a larger district the averages in reference to any circumstance will be found more uniformly preserved." Since the total amount of deposits is held by a much smaller number of persons than is the total note issue, it is more liable to rapid and considerable fluctuations. So Longfield is of the opinion that prudence requires that a larger proportional reserve should be held against deposits than against notes. This view is notably different from the general opinion of the time, and provides another example of the importance Longfield attached to deposits. § This naturally has a considerable influence on his views as to the best method of regulating currency issues, the problem which forms the real subject of the articles. Longfield remarks that although the process of deposit banking may appear easy and profitable, the process of maintaining a sound note issue involves very considerable problems. "There is a limit to the quantity of paper money which can circulate in any country", proportioned to the volume and character of its trade. If this limit is ever exceeded, when the notes are freely convertible, the bank will find its notes being returned and exchanged for gold, which will be drained out of the country as the foreign exchanges move against it. Longfield explains the operation of this process and the reasons underlying it with great clarity. He first exposes the fallacy of the argument of Adam Smith and some others, that the paper is returned to the banks because "people immediately perceive that they have more of this paper than is necessary for transacting their business."(7) What actually happens is that the level of prices rises and the value of money depreciates. If the currency is inconvertible, "there is no limit to the extent to which depreciation may proceed", but if free convertibility exists "a limit is quickly put to its depreciation by a process which must convince the most careless banker of the mischief likely to result from his over-issues. The excess of currency raises the price at home of all goods, whether of domestic manufacture or imported from abroad. This rise of prices increases importation, and discourages exportation, and the balance of trade turns against the country; the exchanges fall, and gold, which is the only article that does not rise in price, is exported. Gold cannot rise in price, since the banker is always obliged to give the same quantity of gold in exchange for his notes .....This demand for gold, and fall of the exchange, caused by an excess of paper money, will be naturally preceded or accompanied by a general rise of prices, which strongly marks the difference between this case and that to which we shall next advert." (8)

This other case is that of a deficient harvest, requiring a large corn import. (9) This will also cause an export of gold to meet the sudden increase of imports, but here, Longfield explains, no preliminary rise of prices generally occurs, and the trend is a self-correcting one, which will pass as soon as the emergency ends. Bankers, therefore, need not view an export of gold in these circumstances with any anxiety; no permanent weakening of the currency takes place. "The gold will come back without the necessity of any exertion on the part of the bank" for its very export will serve to lower the general price level, so encouraging export and producing a return flow of gold. Here, as in the first case, Longfield explains the working of the exchanges with commendable clarity.

After thus setting out the conditions governing the value of the currency, Longfield proceeds to consider how that value may be maintained at the correct level. The problem is considerably simplified, he thinks, when the right of note issue is confined to a single bank. It has then only to follow the general rule laid down in 1832 by John Horsley Palmer, the Governor of the Bank of England, before the Parliamentary Committee on the Bank Charter:- 'keep the securities even at two-thirds of the liabilities (deposits and notes alike, according to Palmer) covering the other third with bullion and permit the exchanges to be kept at par by the section of the public upon the circulation'. By this passive policy the circulation will always be reduced if it becomes too great, for notes will be presented to the bank for conversion into gold, and the drain of gold and the movement of the exchanges will soon stop the tendency to over-expansion of the currency. Conversely, if the circulation is too low for current needs, the bank will find itself a receiver of gold, which will be imported; this will expand the circulation and bring the exchange back to par once more. Thus the bank can always obtain gold by diminishing its issues, and Longfield considers that it ought always to follow this method, except in cases of great emergency, when it cannot afford to wait for the contraction of its issues to bring in gold.

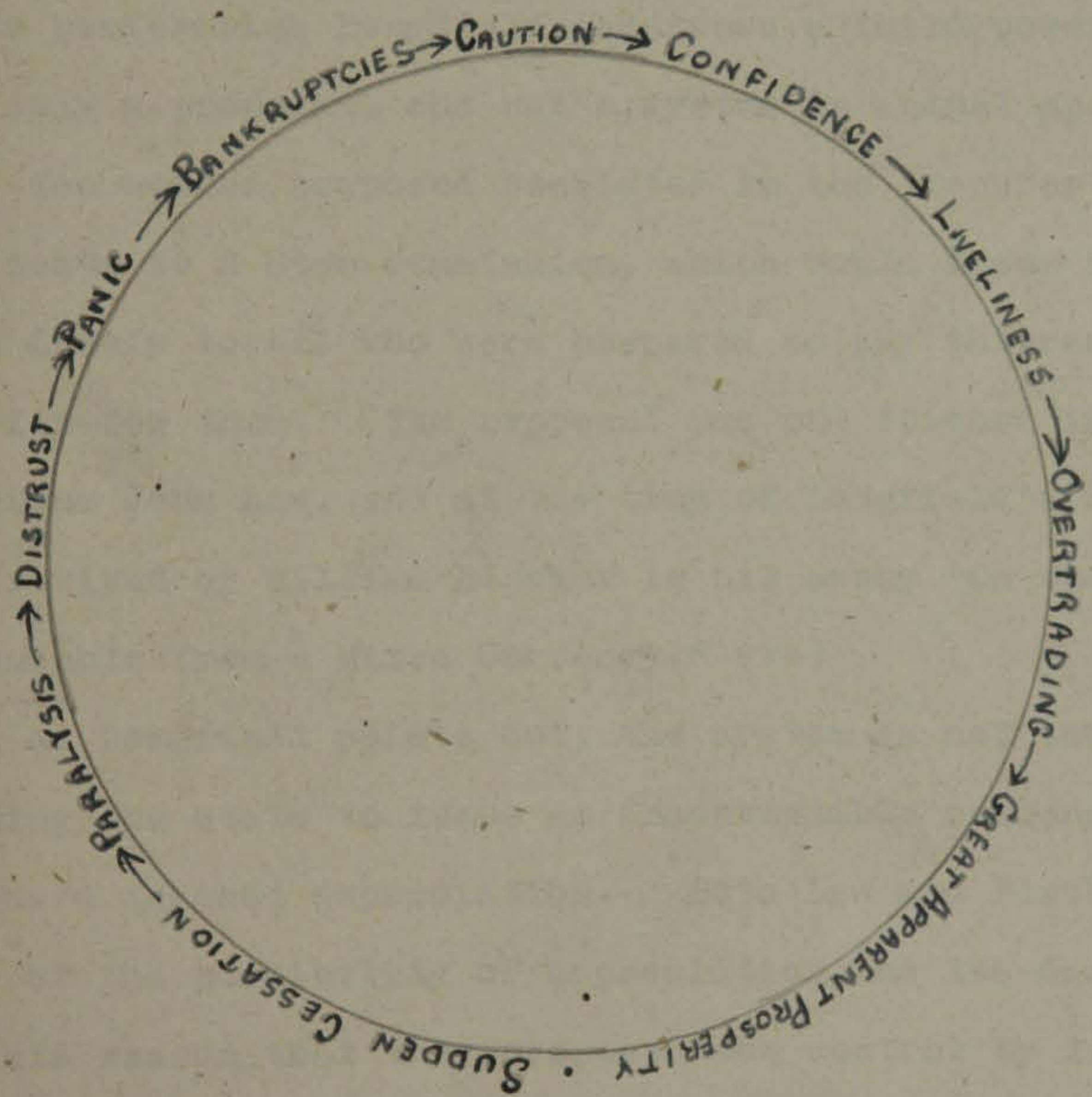
This famous "1832 Rule" was used by Palmer as the basis for the credit policy of the Bank of England, and present day policy was largely built up from this foundation. Consequently Longfield's review of the working of this method in the period 1832-1840 is of considerable interest. The period includes the severe crises of 1839, which tested the rule to the utmost; during 1835 a period of speculation together with demands for gold from America and Ireland (10) reduced the reserve of the Bank of England greatly and in 1836 it was forced to raise its discount rate to check the drain. For, a time the crisis was averted and gold flowed in, so that the Directors, doubtless pleased by the effective working of the new method, actually sent £1,000,000 of gold to America in 1838. Later in the year the exchanges turned against England again but the bank continued to discount and issue freely. The failure of the 1839 harvest worsened the situation and gold drained out steadily, but the Bank did not act to control the situation until almost too late, and had finally to retrieve its position by borrowing from the Bank of France.

Considering the working of the policy in these circumstances, Longfield is justly critical of the action of the Bank for having exported gold to America, and for making no attempt to reduce the circulation until the drain of gold became extreme. After the fashion of the time, he attaches little importance to the discount rate as a means of handling the situation, so that he really falls into the same error as did the Directors of the Bank themselves, for they attempted to continue discounting freely long after a crisis appeared inevitable. However, although in some respects he is critical of the Bank, he concludes that it "has well struggled through the difficulties" and that its policy has not been proved unsuitable.

Reviewing that policy, he says that "Any rule laid down by the Bank for the management of its issues must have three objects principally in view. First, and above all in importance,--its own security, or the maintenance of its ability to meet its engagements upon demand. Secondly, to keep its note at a uniform value. Thirdly, by its banking operations to afford a certain uniform support to trade, neither to stimulate it to undue speculation at one time, by granting discounts too freely, nor to starve it by an undue contraction at another period." (11) The first two objects can be achieved with relative ease but the third is the difficult one - and herein lay the great merit of the "1832 Rule"; it provided a sound system for this purpose, which "reconciled the interests of the public with the security of the Bank."

Thus the method of having one Bank of issue only seems to Longfield to fill the requirements for a sound currency very well, but his opinion is that "Although a single great bank of issue may, without much danger or difficulty, regulate the currency and preserve the par of exchange with foreign countries free from any serious fluctuations, yet several banks of issue, acting in competition with each other, have by no means equal power." (12) The essential difference is that in the case where there is a single bank, it suffers all the consequences of over-issue itself, but where there are several banks the consequences of an over-issue by one fall upon all. Gold is withdrawn not only from the bank that has over-issued, but from all the banks in the system. This deranges the proportion of circulation to reserve maintained by the more prudent banks, and they have either to contract their issues accordingly, and so lose some of their business, or else compete by over-issuing themselves, thus beginning a process of competitive over-issue which is liable to lead to serious trade fluctuations and "runs". This system, according to Longfield, makes it in the banks' interest "to issue as much as possible when the spirit of over-trading is prevalent, and to reduce their issues when trade begins to stagnate and wants a stimulus to revive it". This tendency he strongly condems, and gives a description of the type of trade fluctuations to which it leads which is of sufficient interest to deserve quotation in full:-

"The effects of rival banks of issue on the fluctuations of trade may be thus briefly described. When trade is prosperous and prices are high, the currency of the country will bear some addition to be made to it without being thereby depreciated. Each bank will struggle that this addition shall proceed from its own issues, and for this purpose will discount more paper upon more liberal terms than before. From this conduct of the banks trade will receive an additional, an unnatural, but a temporary stimulus. Manufacturers and merchants will make and import a larger quantity of goods for which they anticipate a speedy sale upon credit, at the same time purchasers are more ready to give bills, as they are confident that when the bills come to maturity they can easily procure money to pay them from the banks. While this state of things continues, all is prosperous, and the banks in particular make large profits from the quantity of bills which they discount. The circulation is full to overflowing. But the exchanges gradually turn and become adverse, the stock of gold in the bankers' hands rapidly diminishes. Every bank is obliged to contract its discounts, often very abruptly, and is happy if by such a course it can avert the impending ruin. But this conduct, although it may save the banks, is necessarily followed by a paralysis of trade, and general public distress. Those who expected with confidence to fulfil their engagements by getting their bills discounted are disappointed, and are either reduced to insolvency or obliged at great loss to force an immediate sale of their goods in a dull, over-stocked market. The public, scarcely able to fulfil their existing engagements, are unwilling to enter upon new ones. Most people then discover that during the excitement they purchased a greater quantity of goods than they can either dispose of or afford to keep on hands. Money becomes every day more scarce and goods fall in value with still greater rapidity. The depression of trade makes that amount of currency redundant, which in ordinary times would not be more than sufficient to conduct the exchanges of the community. The demand for gold therefore continues for exportation, some of the worst conducted banks are unable to withstand the pressure, they stop payment, then a public panic arises and gold is demanded for hoarding as well as exportation. To this latter demand there is no limit. The demand for gold for exportation ceases as soon as the currency is sufficiently contracted, for the exchanges must then turn, but the demand for gold for hoarding proceeds with augmented rapidity, it is like an epidemic, one man runs to the bank for gold because he sees his neighbour do the same, and this demand may continue as long ~~as long~~ as a bank note remains in the hands of the public. It is like the plague, or any other infectious disease which may cease of itself, although no human power can arrest its progress. In this general calamity the poorest are overwhelmed, the wealthy alone survive the shock. After a few months trade recommences and is conducted for some time with considerable caution; confidence gradually revives; the banks increase their issues; trade becomes more lively and then the former events occur in the same order as before; and as long as rival banks are permitted to make paper money there will be a perpatual vicissitude of trade is nearly the following order:-



The period of this circle is about five years." (13)

This is a striking account of a nineteenth-century "business cycle", but it hardly seems justifiable to attempt to consider it as anything more than this. It cannot really be regarded as a theory of the trade cycle - it is rather an explanation of the rôle of banking in fostering cyclical fluctuations. In the example given above some other initiating factor besides bank credit is definitely presupposed - the banks only begin to over-issue <u>after</u>

expansion has begun. There can be no doubt that banking difficulties did play a large part in the fluctuations of this period, and Longfield's explanation of the actions of banks during the boom, the crises and the subsequent contraction is an excellent and graphic piece of economic writing, showing his descriptive style at its very best. Yet to attribute the entire process to the actions of joint-stock banks hardly seems either accurate or just in presuming, as he does, that it cannot occur at all where there is only one note-issuing bank. Longfield shows a rather simple faith in the complete efficacy of the "1832 Rule", which the crisis of 1839 does not appear to have shaken at all.

Having discussed these two methods of providing and regulating a currency of notes, and having shown very clearly exactly which he thinks preferable, Longfield considers a third possible method, but this only a proposal, and not a system in actual operation.

The method proposed consisted in the transfer of the right of note issue to a State commission, which would issue inconvertible notes freely to all who were prepared to pay interest and give good security for them. The proposal was put forward in 1720 by the notorious John Law, and at the time of Longfield's writing had just been revived by William Blacker in his essay "On the Evils Inseparable from a Mixed Currency." (14)

As Longfield points out, the system is not the simple one of allowing the state to issue an inconvertible currency without any safeguard against depreciation. Both Law and Blacker were fully aware of the possibility of depreciation and its dangers. It was for this reason that they proposed the control by issue against security (15) as they supposed that this would enqure that the currency in circulation was just adequate to the needs of trade. Thus Blacker suggested that "national paper" should be issued by the Commissioners to the Joint-stock banks, saying that "were this the case it is not to be imagined that these banks would be unwise enough to pay discount to provide national paper that they had not safe and solvent customers for, (having no temptation in this case to run risks for the sake of issuing paper of their own manufacture), nor will those safe and solvent customers pay the said banks discount for money which they have not profitable employment for, so that by the arrangement proposed there seems no open whatever left for over issue to creep in." (16)

Yet although these proposals are specifically intended to avert over-issue, they involve further errors which make them impracticable, in Longfield's opinion. There are, he says, two fallacies involved:" the confusion between capital and currency, and the assumption that when the circulation is redundant, the superfluous notes will be found in the pockets of those who owe money to the bank."(17)

The confusion of currency and capital is marked by Longfield as the fundamental error ot the scheme. In view of the fact that this confusion is certainly not peculiar to the schemes of Law and Blacker, but recurs persistently in schemes for monetary reform up to the present day, the clarity with which Longfield perceives and explains its weakness is especially interesting. It affords yet another example of that sound grasp of essential realities which marks all his economic work. He argues that people borrow from banks in order to carry on their business, not because the note circulation is inadequate. "There is no connection between the two wants," and even when the circulation is as full as is possible without depreciation, there may still be a considerable demand for loans for capital purposes. The quantity borrowed will always vary with the rate of interest asked, just as the demand for other commodities varies with the price.(18) Hence so long as any interest is charged at all on the currency the circulation must appear to be inadequate, for a reduction in the rate charged for it will always procure an increase in the amount demanded. So it is possible to show that "under any rate of interest, the circulation must be deficient, since whatever may have been the rate of discount, it may be reduced without making the circulation redundant." Nor, as Blacker imagined, will the customers ever become aware that they have too much currency for their needs--as has already been shown, this is not what happens when the circulation is increased. Instead, prices will rise just as with an over-issue of any other form of currency.

Consequently, Longfield thinks, Blacker's scheme provides no real safeguard against depreciation, and no better system of currency than already exists. Nor can any proposed modification of the method, such as issuing the currency against good short-dated mercantile bills only, remove the difficulties. Although the difference in their security value is great, from the point of view of issuing currency mercantile and accomodation bills cannot be distinguished. Whatever form the proposal takes, it contains the same fundamental errors, and so Longfield rejects it as a possible alternative to freely convertible centralised issue, the scheme he himself advocates.

This consideration of methods of note-issue, which is the real subject of the articles, shows Longfield's attitude towards monetary problems to be his characteristic one of "progressive orthodoxy". He places his faith in free convertibility to provide sound currency, and while he has no sympathy with experimental schemes such as those of Blacker, and disapproves of numerous different note issues, he nevertheless shows a desire that banking should develop and provide "adequate support for trade" in the form of credit facilities. In this connection his view of the function of deposit banks is of especial interest in its modernistic character, although he does not seem to have realised the full possible extent of their development.

As these articles date from a time just previous to the development of the "Banking and Currency" controversy, it is not perhaps altogether justifiable to name Longfield as a supporter of either side, but on the whole his views correspond to those of the Banking School. His explanation of the movements of circulation is closely comparable to the "reflux" theory later developed by Fullarton, and his realisation of the monetary function of bills and drafts sets him apart from the rigidity of the Currency School.

Summing up, it may be said that the interest of these articles derives mainly from the light they throw on Longfield's attitude towards the banking developments of the period, rather than from any strikingly original contributions to monetary analysis.

SECTION IX.

LONGFIELD AND LAISSEZ-FAIRE.

(In addition to the three books of Whately Lectures, materials for this section are also taken from the following papers by Longfield:-

Address to the Dublin Statistical Society, on the conclusion of the 2nd.Session, 1849.

" " " " " " on the opening of the 9th.Session 1855.

" " " " " " on the opening of the 18th.Session 1864. (Presidential).

" on the Limits of State Interference with the Distribution of Wealth", read to the Statistical and Social Inquiry Society of Ireland, 1872.

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Some account has already been given of Longfield's views on the prospects of economic progress for society, and the unusually optimistic attitude which he adopted as a result of his theory of Distribution has been noted. Nothing has been said, however, of his views on economic policy and the functions of government in this respect, but the question is not one which he neglects in his work. In fact it forms the specific subject of some of his later writings. His comments provide a very interesting illustration of his views on social problems, and the relation of economic analysis to them, and show him once again to be a somewhat unorthodox thinker for his time.

As a preliminary, it may be remarked that on this question of <u>laissez-faire versus</u> collectivism the nineteenth century can be divided into two periods. The first, amounting almost to the first seventy-five years, marked the dominance of the doctrine that "the best government is no government" and the belief that 'enlightened self-interest' would produce the best results for the community as well as for the individual; the second, towards the close of the century, saw a general change of feeling and a movement in favour of interference with the free play of economic forces for social ends. Similarly, there are two fairly distinct periods in Longfield's work on this subject - the first, the period of his tenure of the Whately chair in the 1830's, the second, the period from 1848 onwards when he was again speaking and writing on economic matters, as Vice-President and later President of the Dublin Statistical Society.

In the first period his views appear on the whole typical of the attitude of the times, and he generally advocates a policy of complete laissez-faire, while in the second his opinions change and become more and more inclined towards intervention. It is to be observed, however, that this change in Longfield's attitude is not altogether coincident in time with the general movement, nor is it an absolute change, for his approval of the classical principle of non-interference was always qualified.

II.

The view of the functions of government which Longfield expresses in his University Lectures is the characteristic one of classical Political Economy - the government is to maintain peace and order, and provide security (especially of property) for its subjects, so that economic activity may have full opportunity for growth and continuance. He is emphatic in declaring that order and security are necessary conditions precedent for such a development:-

"While anarchy and turbulence prevail, immutable necessity ordains that the labourer shall suffer this part of the hard condition of the slave - He must encounter severe toil, and receive scanty wages. From this state of degredation and slavery, order and obedience alone can save him." (1) Again, he points out that the spread of inventions and improvements is very largely dependent upon the existence of "wise institutions", and says also that division of labour and regular exchange can only develop "when once security of life and property is established in any country" (2).

Such stable political conditions, then, are regarded as essentials for prosperity and economic progress, but when once they have been secured, Longfield does not think there should be any further extension of the activities of the state in economic matters at least; he confines its functions to "the duties of protection and government, etc.," (3) The doctrine that self-interest, unhindered, serves the interest of the community best finds support with him -

he remarks on "this close connexion between the interest of the individual and that of the community", saying that "in general it may be remarked that the interest of the individual will lead him to adopt a course of conduct more consonant to the public good than even to that of the particular class or order to which he belongs." (4).

Consequently, he naturally adopts the view that interference with the working of economic laws is unjustifiable, whether it be undertaken by the State or by any other group or interest; his general standpoint is that men may worsen their condition by "vice or folly", but that they cannot hope to improve it by legislation or other attempts to control economic forces. Thus, in the Preface to the "Lectures on Political Economy" he indicates that one of the most important conclusions, in his estimation, which can be drawn from his analysis of Distribution is "how impossible it is to regulate wages generally, either by combinations of workmen, or by legislative enactments." So also he lays down of the relationship between profits and wages that "legislation can do nothing here, every thing must be left to contract"; he says of them in another place that "they both are confined within limits which it is beyond the power of the legislature, by any direct exertion of their authority, to extend. Here legislation and combination may do mischief, but cannot do good.....Violent, and unjust, and turbulent proceedings may extinguish profits, but they will not thereby increase wages: or they may depress wages, but will not thereby increase the rate of profits."(5) Likewise, speaking of the effects of high prices in a time of famine or scarcity, he says: "Distress.. ..... would be incalculably increased instead of being diminished, if human legislation should attempt to regulate the prices." (6).

Longfield's general support of a Free Trade Policy has already been noted, (7) and he also shows himself as an advocate of that that typically classical piece of legislation, the Poor Law of 1834. His general proposal is to provide a measure of relief "such as to invite no person to become a fit object for it" (8). He considers that the provision of a minimum of subsistence "to all who should otherwise beg or starve" is "a good unmixed with evil", but that anything more than this would be an encouragement to idleness and improvidence.

Such principles as these are typical of the rigid laissez-faire doctrines of the eighteen-thirties, but while Longfield generally supports them, he makes certain exceptions which form a very striking contrast. He was always concerned that wealth should be fairly distributed inside the state:- "For it is to be observed that through the wealth of an individual may be expended in procuring vicious luxuries, yet that of a rich nation, as distinguished from a poor nation, will be found to consist in the great mass of its inhabitants being comfortably and wholesomely fed, lodged, and clothed, and well rewarded for their industry. If otherwise, that wealth must be wrongly distributed; the cause and cure of which wrong distribution come also within the province of the political-economist to investigate." (9) Longfield always considered the real purpose of wealth as being to provide enjoyment and well-being for mankind, and he conceived it as being within the province of the political economist to apply his knowledge of the science to the problem of promoting general welfare. No criticism of Political Economy was more objectionable to him than the statement that it was "the science to make ~~the science to make~~ the rich, richer, and the poor, poorer." He constantly inveighed against this epigrammatic condemnation of the subject, even going so far as to say, on one occasion:- "Most assuredly, the aim and object of Political-Economy, that to which all its investigations are subservient, not only is not, to plunge the poor into still deeper poverty, but on the contrary is, to render their condition more comfortable, and more respectable than it has ever been before, by procuring for the labourer a steady market for his industry, and an adequate remuneration for his toil." (10).

These remarks throw an interesting light on Longfield's view of the functions of Political Economy, but it must be observed that they are fully consistent with an absolute support of laissez-faire. So long as it is conceded that the free play of self-interest best promotes the welfare of individual and community alike, to hold that

Political - Economy may justifably inquire into the means of promoting welfare involves, not a condemnation, but actually a definite approval of the policy of non-intervention. The important fact, however, is that Longfield does recognise the inadquacy of the policy of allowing free play to economic forces as a means to obtain maximum welfare, in certain instances.

Thus in the matter of poor relief he concedes the necessity of giving liberal assistance to poor persons who are in some way physically incapacitated. This, however, was granted even by the mos rigid "non-interventionists" at this time; it is in the matter of assistance to the aged that Longfield shows himself ahead of his time, for he says of this:- "I believe that the State may, and ought, and (if poor laws are established) must afford some assistance to indigent old age. The strongest objection is the encouragement to improvidence that it might give, but if this objection could be disposed of in no other manner, I would remove it by making no distinction between the poor and the indigent of this class, but giving a small pension as a superannuation allowance to every labourer of sixty years of age."(11).

To find an economist of the classical period, even if not of the classical school, advocating the establishment of the Old Age Pension in this definite manner is, to say the least of it, remarkabl Yet this was not the only collectivist proposal that Longfield made in 1834; he has also some novel qualifications of Free Trade to his credit.

Where he does advocate tariffs, it is usually because they are "an easy and not oppressive mode of raising a revenue", but this is not the only use to which he thinks they may be put:-

"It is another advantage attending the impositions of import duties, that by their means the nation has a considerable power in regulating its consumption, and of directing the course it shall take. By the same means, also, the nation has the power of selcting the class of persons upon whom the tax shall fall, for a tax upon the introduction of any article falls entirely upon the consumers of that article.

It is much more useful to directthe expenditure of individuals than to control, or regulate, their industry. The interest of each person is his best guide to direct him, both what trade he shall pursue, and in what manner he shall conduct it. But the manner in which the inhabitants of any country spend their incomes, is not directed by self-interest, but by their tastes and habits, in the formation of which, different modes of levying the public income may have a most beneficial influence. The happiness of the people, and the growth of their prosperity, may be materially influenced by the habitual direction of their expenditure. This direction may, in part, be caused by the relative prices of commodities, and the relation of the prices may be created, or considerably modified, by the amount of taxes levied upon each." (12).

So the sovereignty of the consumer is not to be left wholly undisturbed - he is to have his pattern of consumption at least indirectly regulated by his governors. This may certainly be noted as a very marked departure from the canons of orthodox laissez-faire. It is virtually the most socialistic proposal which Longfield ever made, and it seems doubtful whether he realised the full extent of

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He certainly failed to realise that it could involve a policy of protection for domestic industry, if the government holds that it will contribute to "the happiness of the people, and the growth of their prosperity" to prevent the consumption of foreign products.

transferred from one occupation to another. The loom cannot be turned into a plough, nor the experienced weaver into a skilful ploughman. This waste of wealth will be much diminished if commercial restrictions are gradually removed, with full notice to deter men from from embarking their skill and capital in a business which they are warned will not last. To the workmen already engaged in it, the state ought to give advice, and even sometimes assistance, to betake themselves and to educate their families to other occupations." (13).

These passages show that Longfield recognised the inadequacy of self-interest and simple economic adjustment to secure the best social results in certain cases, even though he was generally a believer in laissez-faire. Although Longfield was perhaps unusually advanced for his times, (14) nevertheless the exceptions he makes to the rule show that even in the early part of the nineteenth century, the economists' approval of non-interference was not so unqualified as is generally thought.

III.

In his later work, Longfield's realisation of the need for social legislation shows even more strongly; a steady tendency towards a more 'collectivist' attitude is evident in it. This tendency reaches its greatest development in his paper on "State Interference with the Distribution of Wealth", which is a specific consideration of the possibilities of intervention. His other addresses to the Dublin Statistical Society take the form of reviews delivered at the opening of the sessions of the Society, and as such they are concerned mainly with its progress, and with consideration of the state of Ireland. Interesting as they are from a historical point of view, their main economic interest consequently derives from the comments which they contain on the relation of the State to economic activity.

In this respect the address of 1849, the first of the series, merits but little attention. (15). It is almost wholly concerned with the state of Ireland before and after the Famine and contains no reference to the problem of State intervention, although it might be expected that the relief measures undertaken at the time would have made it a subject of special interest. However, Longfield has something more to say on the question in the address which he read in 1855. Here he reviews the progress made since the Famine, and notes with approval the general rise of wages which had occurred. Yet although "the balance of advantages is immensely on the side of high wages", he emphasises that they may create a social problem, in that the worker may spend his increased income in a manner undesirable both for himself and for the community in which he lives.

To this, Longfield thinks, the political economist might answer that the worker could advantageously save some of his wages, but he suggests that the error into which political economists are inclined to fall is "to attach too much importance to the desire which exists among mankind for the accumulation of wealth"; for many the motive to save is "so weak as scarcely to be considered a principle of action." Consequently, he says, "problems arise which require for their solution something more than the ordinary principles of political-economy, as they depend not on the mere desire or capacity of man to make exchanges, but on the more subtle and complex qualities of his mental organisation." He thinks that there is a definite opportunity, and need, for action by the community to solve these wider social problems: - "A great and interesting problem for your consideration will be what steps the state can take to direct, without coercing, the tastes and habits of the labouring classes into the course most likely to be productive of happiness to themselves? What help can the state with safety give to assist them in the pursuit of innocent enjoyment?" (16) He does not attempt any answer to these questions himself in this instance, but merely emphasises the propriety of such social action.

Up to this point, Longfield's collectivist proposals have appeared mainly to refer to problems which do fall more or less outside the normal working of the economic system. In his Presidential Address of 1864, (17) however, he does actually suggest an alteration in the organisation of the system of production, but not by means of State intervention. Again reviewing the state of Ireland, he discusses the possibilities of improvement in the agriculture of the country, but suggests that this alone is not enough - absolute dependence on agriculture must be avoided - prosperity cannot be attained through agriculture alone while it remains so backward. This leads him to consider the problem of establishing industries, and the capital and labour difficulties which might arise. These are, in his opinion, by no means insuperable, but they could even be avoided altogether. Not all industries require large capital equipment, and so he asks:-

"Why may not these be carried on by co-operative societies of working men? No jealous disputes between labour and capital could then arise, as each man would be equally interested in the prosperity of both those agents of production." He gives detailed proposals for the working of such a scheme; capital might be provided either by the workers or by small shareholders, a subsistence wages would be paid weekly and a dividend declared monthly. The proportion in which this was to be divided between workers and shareholders (if the two were not identical) would be fixed by the Articles of Association. Longfield suggests that there would be considerable scope for such industries in Ireland.

This is certainly one of his most interesting proposals from a strictly economic point of view, but it seems that he only intended it to apply to a type of "handicraft" industry. It cannot really be said that he advocated any general co-operative organisation of industry, but the plan gives an interesting illustration of his increasing independence of the strict doctrine of laissez-faire, for it is hardly such a scheme as would have met with his approval in 1833.

Longfield showed himself even more favourably inclined towards collectivist methods in 1872, when he considered "The Limits of State Interference with the Distribution of Wealth, in applying Taxation to the assistance of the Public."(18) In this paper he first considers the general question of the desirability of government intervention in economic matters, and reiterates his general view that it is unnecessary and unsuitable in most cases, particularly in respect of protection of industry. However, he states that it is proper that the question, whether state interference with the distribution of wealth inside the community may secure a beneficial result, should be considered in a scientific manner.

He therefore commences by examining the possible objections to such re-distribution by taxation (for this is the only method he mentions). The only one of these which he considers to have any great force is that it "tends to weaken the motives to industry, thrift and self-denial." So far as taking money from the taxpayer is concerned this is not of any great significance, he thinks; the motive to save is quite strong enough to bear some reduction without creating any danger of affecting capital accumulation unduly. It is in the matter of giving relief that this question is important for there is always the possibility that the goving of monetary assistance may demoralise the recipients. In this connection Longfield rightly considers that tests of fitness to receive assistance are of doubtful value; however successful a test may be in selecting only those who come within its provisions, it "must have this effect, that it discourages all exertion in those whom the test does not exclude from relief." He fully realises the important fact that those who can earn little more than relief schemes provide may very well choose to remain idle.

This point assumes special interest in view of the manner in which subsequent experience with unemployment relief schemes has borne out Longfield's contentions.

However, he makes no suggestions for overcoming these difficulties. Instead, he proceeds to inquire in what cases assistance may be given by the state without the need for qualifying tests. He divides his inquiry into two parts, first, the classes which may receive aid without tests, and second, the extent of benefits which may be freely given to all members of society. Even allowing for the general tendency towards a more socialist attitude which was evident at this time, some of the proposals which he makes are remarkably advanced, and provide an interesting comparison with present day social services.

As to the first part of his review, he begins by repeating the proposal for an old age pension which he had made originally some thirty-eight years before, now, however, giving it more detailed form:- "Every person who is supported by any kind of bodily labour should receive a certain allowance when he is 60 years of age, and have that allowance increased when he has completed his 70th.year; say 2s. a week when he is 60, and 4s. a week when he is 70." (19).

He also anticipates present day developments when he advocates that the state should give "a small annuity to every blind person". There would be no indigence qualification for this,for in the case of poor persons "the calamity of blindness is sufficient to produce indigence", whilst for other classes the tax would form a kind of insurance. Besides these proposals, Longfield also suggests that deaf mutes should be educated by the State and also supported, if necessary, during the period of their tuition. Provision for lunatics should also be improved - he condemns the existing schemes as "wretchedly inadequate" and suggests a great increase in the number of asylums provided by the state.

His most extensive proposals are made in connection with provision against sickness and disease. He advances no plan for social insurance but proposes that all the expense should be met from ordinary taxation. In this instance, as in every other, Longfield makes no attempt to estimate the cost of his schemes or suggest how funds might be raised, but confines himself to outlining reforms. He thinks that "every town and considerable village" should contain a state hospital, and for the right to receive treatment in it "...I would require no test or proof of want. The nature of the illness should alone be the qualification." Any citizen who requires treatment will receive it as his right. But this is not all - in addition to the hospitals, Longfield would provide convalescent homes also:- "In this case liberality on the part of the State will be the truest economy, as early help will prevent the industrious man from becoming a burden on the community, and will enable him to add to its wealth." Another feature of the scheme would be the provision of homes for incurable cases.

These remarkably extensive proposals complete what Longfield describes as "a brief and imperfect sketch of various modes in which the wealth of the nation may be applied to the assistance of the working classes," and he proceeds to the second part of his inquiry - state provision for the community as a whole.

He begins by advocating compulsory education - another State liability which he thinks to be "a wise economy" in the long run. He next deals at some length with the duties which fall upon the government with the increase of urban populations. One of these is "the provision of an ample supply of parks and vacant places to purify the air of the towns, and to afford the means of exercise and recreation to the inhabitants." This leads to a consideration of the problem of housing, and here he thinks "it is the right and duty of the state to interfere. When the health of the public is concerne the ordinary rule permitting free trade does not apply." He makes detailed proposals to combat overcrowding and insanitary conditions, suggesting a rigid system of inspection and report, with power to order the immediate closing and demolition of any dwelling condemned.

Longfield also puts forward the suggestion that special encouragement should be given to the investment of capital in the provision of housing accommodation for the workers, and that new extra-urban and sub-urban estates should be developed.

Finally he gives some details of a scheme which may be regarded as a development of the suggestion he had first made in 1855 that the state should assist the labourer to find the means of "innocent enjoyment and social intercourse". He proposes that something equivalent to the clubs of the more affluent citizens should be provided by the government for the worker in the form of "....well-aired, lighted and warmed rooms in which every man on his way from work might rest, and warm himself, and if necessary meet his family, and perhaps even cook and eat his meals."

Longfield thus accepts the principle of re-distributing wealth through taxation, and shows that he now considers the growth of collectivism as a natural feature of the progress of society:- "Every generation gives to every member of the public, at the public expense, advantages which in preceding ages every individual was obliged either to forego, or to obtain at his own expense."

Thus Longfield, in common with many other thinkers of this period, has modified his view to admit of a considerable degree of public intervention in private economic activity for social purposes. Yet although he was following a well-marked trend in this, he was perhaps rather ahead of the development of general opinion; he advocated state action on economic questions at an early date, and in 1872 he was advocating social services in some respects more extensive than those which exist even at the present time. Indeed his schemes show that even at seventy years of age he was still, as always, a progressive, independent thinker.

IV.

Reviewing Longfield's attitude towards social policy, its most striking feature is certainly the extent to which he was willing to admit the necessity for collective action in the economic sphere. It can never be said that he was a socialist, for he was always a staunch supporter of the established order and never advocated its replacement. Yet within the framework of that order he was always ready to concede the desirability of authoritative action if he considered that it would promote the welfare of the people. He was never a revolutionary, but always a reformer.

One accusation which may be made against Longfield, and it is a serious one, is that although he was willing to advocate what he called "benevolent legislation" his advocacy was somewhat unthinking. Thus, for example, in his work on the re-distribution of wealth, he makes extensive proposals for such a re-distribution but never goes into any detail as to how the scheme is to be carried out. He makes no attempt to measure the probable cost but, with customary optimism, assumes that the economy can bear taxation to an unspecified extent. His opinion is that the "non-material" benefits which would result would outweigh the cost, but this is not unquestionable. Neither in this case, nor in any other where he advocates economic action by the state, does he consider the possible repercussions on other aspects of economic life.

Similarly when he advocates such measures as interference with consumption and spending, he never faces the vital issue of whether intervention by authority is certain to produce a better result than individual action can achieve. Evidently he is of opinion that it will do so, but he adduces no arguments in support of it, seeming rather to assume his conclusion.

It is also to be regretted that Longfield never defined, or re-defined, his view of the relation of Economic science to social questions. It is not possible to say with certainty whether he looked on the promotion of social welfare as a norm for economic analysis, or as a problem outside its proper sphere. In his earlier work, one would be inclined to say, he leaned towards the latter view, but as has already been remarked, advocacy of <u>laissez-faire</u>

does not mean making Political Economy neutral. Yet it cannot be said either that his later trend towards collectivism involved his committing the science, in his view, to working for a chosen end.

On the whole, however, it seems most likely that his view was that social action must supplement the working of economic forces, and that the conclusions of Political Economy may be used to show how that may best be achieved, even though it need not be previously committed to approval of any particular policy.

SECTION X:

CONCLUSION.

In the preceding sections, Longfield's economic work has been examined at length in its several aspects. It now remains only to review its importance and its position in the history of Economics. Does it justify the contention that Longfield was not only a man who made original contributions to the science here and there, but genuinely an economist of some consequence?

Of his originality there can be no question; indeed there never has been. It has been pointed out that Longfield was teaching and writing at the time of the dominance of the English Classical School, and historians of Economic Theory have always emphasised his originality in propounding the theories he did at this time. But others at the same period were doing the same thing - it is now recognised that there was virtually another school existing contemporaneously with the Classical, a school of "dissenters" from its theories. To this school Longfield undoubtedly belongs, but it is contended in this work that he deserves a prominent position among its members, one more prominent than he has hitherto received. It is necessary now to summarise the reasons for this view.

II.

Longfield's contributions to Economics make an impressive catalogue when set down - he gave a remarkably full statement of the Marginal Theory of Value, explaining Diminishing Utility and Consumer's Rent; he developed the doctrine of Rent in interesting fashion, pointing out the possibility of pure scarcity rents and the weakness of the rigid doctrine of Diminishing Returns. He showed the element of time-discount" as a cause of interest, and linked it with a strikingly advanced theory of Marginal Productivity of Capital. He was one of the first writers to advance a productivity theory of Wages, and he anticipated Cairnes in pointing out the existence of non-competing labour groups. He made notable additions to the theory of International Trade, and showed a thorough appreciation of the working of the banking system. On social questions, his views were often remarkably unconventional and modern beyond his generation.

It is not merely because of all this, however, that Longfield is to be reckoned as an economic writer of high importance. Fundamentally, it is because he developed a consistent body of doctrine which owed practically nothing to the influence of his contemporaries.

After some preliminary fumbling with the theory of labour-value, which confused his work regrettably but did not really affect it, Longfield developed a very complete version of the marginal theory of Value, and on this he based his Theory of Distribution and indeed his whole system of Economics. This has been constantly emphasised throughout this work, for it provides the key to nearly all of Longfield's economic thought. It accounts for his treatment of the entire question of Distribution as a special value problem, with the returns to the factors as prices. It was then his analysis of the influences on the supply and demand side in each case which provided the basis for his view of social progress, and this same fact goes far to explain his view of the origins and effects of International Trade also.

Thus in Longfield's work there is perceptible a consistent development from an original basis. He did not take Economic Theory as he found it, but worked out his own conclusion on every problem in a completely original way. His method of combining fact with theory has been remarked, and his doctrines show how important it was in his work; he never accepted a theory merely because it found general acceptance - instead he took it upon its merits and if he thought it defective as an explanation of the facts he evolved what he conceived to be the right interpretation of them. In this fashion, he built up a system characteristically his own.

In attempting to assess the merits of that system, it must always be remembered that it was never completed. For that reason, it cannot be put down as belonging to any general class. It has a definitely "marginal" trend, in places there are signs of a perception of equilibrium ideas, but when the whole theory of Production is lacking it is pointless to attempt to label Longfield's theoretical work, for it is not a complete explanation of the economic system.

Inevitably, his writings bear the stamp of their period, and their shortcomings are evident now. But it is doubtful if any of his theories could even to-day be rejected as absolutely false, and many of his anticipations of subsequent developments are amazingly complete. There can be no question of the superiority of his theories over those generally advanced in his time; the real importance of Longfield's writings lies in the fact that they were not an attempt to reproduce or even modify the classical system, but a development of a completely different analysis, the author's own characteristic production. Longfield's claim to fame rests not merely on the fact that he was original, but on the fact that he was systematically original.

III.

"Neither neglect nor refutation will cause me any pain; I shall be contented to remain unnoticed." So Longfield wrote in the Preface to his "Lectures on Political Economy", unwittingly prophesying his fate as an economist very truly.

Incidental references have been made throughout this present work to the notice which was accorded to Longfield's various theories, but always it has been essentially the same story - a story of almost complete neglect. If his contemporaries and predecessors had little influence in the development of his economic doctrines, certainly Longfield had even less influence on those who came after him. The theories of many of his successors resembled those he had propounded, but there seems to be no instance in which that fact can be attributed to his influence, except perhaps the isolated one of Isaac Butt, who really only repeated Longfield's conclusions and could not possibly have been unaware of them in any case. The new doctrines which Longfield advanced had no real influence whatever on the subsequent development of economic science; they were forgotten almost as soon as they were published.

There seems to be no very good reason why this should have been the case. It is true that Longfield had no reputation as an economist and that the chair he occupied was newly established, and in a country never thought of as a source of economic writings at the time, but for all this the work could have easily succeeded on its own merits. Perhaps a more potent cause of its failure to make an impression was the fact that Longfield never made any claims for it and gave up his economic teaching and writing after so short a time. He cannot have been wholly unaware of the development of Economic Theory during his later life, and it must have been a strange experience for him to see the economic doctrines he had so largely anticipated hailed as a new system of Political Economy when the work of Jevons and the Austrians became known. Yet he never pointed out, at least in public, how they resembled his own work; he was still "contented to remain unnoticed".

It is interesting to speculate on the question of how the history of economic theories might have been changed if Longfield had devoted himself entirely to Political Economy instead of the law. He was an energetic man, and lived to a great age; considering that the very considerable development of doctrine which he did make was achieved in less than two years, what might he not have done in fifty-five, the period of his career as a lawyer. If he had given all his attentions to economic work, Longfield might well have been one of the great figures of Political Economy in the middle nineteenth century, and had he held to his original approach whilst in that position the so-called "fall of the Classical system" might have occurred twenty-five years earlier than it did.

All this, however, remains only as conjecture, and Longfield has come down in history only as a minor writer of some originality. Yet surely his work has merited him a better fate than this. He was not great, for he never had the opportunity to be, but his work has undoubtedly something of greatness in it. It is characterised not by occasional surprising flashes of insight, but by consistent and pioneering thought. It is that which makes Mountifort Longfield a really notable economist.

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N O T E S.

The following abbreviations are used throughout:

"L.P.E" - Lectures on Political Economy.

"3.L.C" - Three Lectures on Commerce and One on Absenteeism.

All page references are to the first editions of these works (Dublin, 1834, 1835) but the numbering is identical in the London School of Economics reprints.

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BIOGRAPHICAL INTRODUCTION.

1. Report of the Address delivered on the conclusion of the First Session of the Dublin Statistical Society (1848) by His Grace the Archbishop of Dublin, President of the Society. Whately explains in this address how the election was finally made - he himself submitted questions in writing to the candidates, "who were to reply under symbolical names." He was surprised to find no less than three candidates fully qualified to fill the position "because he knew that this science did not form part of the collegiate course at the time."

2. In accordance with the University regulations at the time, whereby every Fellow had to take Holy Orders, except two - one of whom was elected as "medicus", the other as "jurist".

3. University Intelligence, "Dublin University Magazine" July, 1836. Famous afterwards in connection with Home Rule, Butt also discharged his duties as Whately Professor with some distinction.

4. Subsequently the Statistical and Social Inquiry Society of Ireland.

5. James McDonnell, President of the Statistical and Social Inquiry Society of Ireland, in his address at the opening of the 38th. Session of the Society (1884-1885). (Journal of the Society, part LXIII, July 1885, p.578).

SECTION I.

1. The conditions of his office required Longfield to give at least nine lectures in each academic year or else forfeit his salary, but this condition did not apply to his first year of office.

2. For a list of Longfield's works on other subjects, see Bibliography.

3. L.P.E., Preface, p. viii.

4. L.P.E., p.1. Longfield emphasises the conventional nature of the definition, saying that it "may not of itself be sufficient to point out fully and clearly the true end and object of the science."

5. L.P.E., Contents, p.ix.

6. See below, Sect IX, for more detailed reference to this question.

7. He gives one particular example of an argument against orthodox Economics which seems worthy of quotation: "I remember reading a speech of an orator much admired for his eloquence, in which he advocated Poor Laws, partly on the ground that they were opposed to the conclusions of Algebra and Political Economy." (L.P.E., p.8).

8. L.P.E., p.11.

9. Ibid, p.13.

10. 3 Lects. on Commerce, p.94.

SECTION II.

1. "Wealth of Nations", Cannan's edition, Bk.I. cp.IV.pp.30 & 32.

2. Ibid, cp VI. p.49.

3. Ibid, cp. VI. p.51.

4. Ricardo, "Principles", ed.Gonner, cp. I.Sect.I.p.6.

5. Ibid, p.7.

6. See below, Sect.III.
This method of "eliminating land" found general acceptance for a long period, but it is open to the serious objection that it eliminates rent, not land, and rent is not the correlative of labour.

7. Ibid, Sect VI, p.29.

8. Ibid, cp.I Sect.I. par.9: - "In the same country double the quantity of labour may be required to produce a given quantity of food and necessaries at one time, that may be necessary at another, and a distant time; yet the labourer's reward may be very little diminished. If the labourer's wages at the former period, were a certain quantity of food and necessaries, he probably could not have subsisted if that quantity had been reduced. Food and necessaries in this case will have risen 100% if estimated by the <u>quantity</u> of labour necessary to their production, while they will scarcely have increased in value, if measured by the quantity of labour for which they will <u>exchange</u>.

The same remark may be made respecting two or more countries. In America and Poland, on the land last taken into cultivation, a year's labour of any given number of men will produce much more corn than on land similarly circumstanced in England. Now, supposing all other necessaries to be equally cheap in those three countries, would it not be a great mistake to conclude that the quantity of corn awarded to the labourer, would in each country be in proportion to the facility of production?

If the shoes and clothing of the labourer could, by improvements in machinery, be produced by one-fourth of the labour now necessary to their production, they would probably fall 75%, but so far is it from being true that the labourer would thereby be enabled permanently to consume four coats, or four pairs of shoes, instead of one, that it is probable that his wages would in no long time be adjusted by the effects of competition, and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extended to all the objects of the labourer's consumption, we should find him probably at the end of a very few years, in possession of only a small, if any, addition to his enjoyments, although the exchangeable value of those commodities, compared with any other commodity, in the manufacture of which no such improvement were made, had sustained a very considerable reduction; and although they were the produce of a very considerably diminished quantity of labour."

9. Say, "Traite", 1826 ed. 2me livre, p.171:- "Ainsi, lorsque quelques auteurs, comme David Ricardo, ont dit que c'étaient les frais de production qui réglaient la valeur des produits ils ont eu raison en ce sens, que jamais les produits ne sont vendus d' une manière suivie à un prix inferieur à leurs frais de production."

10. "Public Wealth", p.38, 1804 ed. Note that at the beginning of this passage Lauderdale does not qualify the words "measure of value" by the adjective "real" or "invariable". He does not seem to have considered labour a suitable measure of value at all, apart from any question of invariability.

11. Senior, "Outline of the Science of Political Economy", Library of Economics edition, p.11. Quoted Bowley, "Nassau Senior and Classical Economics", p.95.

12. Ibid, pp. 22-5 "As limitation of supply is essential to the value of labour itself, to assume labour, and exclude limitation of supply, as the condition on which value depends, is not only to substitute a partial for a general cause, but pointedly to exclude the very cause which gives force to the cause assigned." (p.24).

13. Whately, "Introductory Lectures on Political Economy", 1832 ed., pp. 252-3. This passage does not appear in the first edition.

14. Lloyd, "Lecture on the Notion of Value", pp. 11-12.

15. Ibid, p.16.

16. Bailey, "Critical Dissertation", p.205.

17. Ibid, p.1.

18. Longfield, "Lectures on Political Economy", first edition,1834, p.22. Italics mine. The passage which follows the definition of Wealth gives an interesting side light on Longfield's view of definitions and their importance: "In this science in particular, as most of the terms employed in it are of daily use, it will frequently be in the highest degree necessary to give accurate definitions in order to fix the meaning of the most abstract words. It seldom happens that any word of daily occurrence in common conversation is content with a single meaning: it generally obtains some metaphorical extension of its signification, or suffers a diminution by being considered applicable only to those particular subjects to which it happens to be most frequently applied. Hence the necessity of definitions, to fix precisely the meaning of the propositions we discuss."

Since, however, in Political Economy, one cannot reason from definitions alone, it is only necessary to define words when using them in a 'stricter sense'. "And there may be some advantage in pursuing this course, in preference to grouping the definitions all together at the commencement. The study of definitions is a dry uninteresting task in every science, and in none more so than in Political-Economy......I shall not willingly therefore occupy much of your time with definitions and explanations of words; and if I am sometimes guilty of a deviation from this rule, I trust that you will feel assured that I do so from an opinion of its necessity." It is a regrettable fact that Longfield very rarely is guilty of a deviation from this rule,-the infrequency of his definitions makes his arguments often unnecessarily obscure.

19. Longfield always makes "Political-Economy" a hyphenated word.

20. L.P.E., p.27. Italics mine.

21. Ibid, p.26.

22. Ibid, p.28.

23. Longfield points out that Smith uses labour value in two different senses, as did Ricardo. See above, p.4.

24. L.P.E. "Note on Page 32", Appendix, p.246.

25. Sir E.C.K.Gonner, in the Introduction to his edition of Ricardo's 'Principles', attempts to show that Ricardo himself regarded labour only as a measure of value, and considered utility the source. He is able to make out a strong case for this view, but it hardly seems that this was Ricardo's actual idea, for he clearly states that 'labour is the foundation of the exchangeable value of all commodities'. Whatever Ricardo's intention may have been, M'Culloch and his other followers undoubtedly made labour the source of value.

26. L.P.E., p.32.

27. Ibid, p.36.

28. Longfield makes one interesting point on this question - that the value of such 'curiosities' will be greatest in countries where there is the most inequality in the distribution of wealth.

29. L.P.E., p.39.

30. Ibid, p.40.

31. M'Culloch, "Principles", ed.1830, p.297. The fact that this passage has not been taken out of its context, or stripped of any material qualifications, shows the extreme character of M'Culloch's interpretation of the labour theory of value.

32. See below, Sect.V.

33. L.P.E. p.81.

34. Ibid, p.38.

35. Ibid, p.44.

36. Ibid, p.46.

37. Ibid, p.47. Longfield notes that Smith uses the phrase "effective demand" in a different sense - to indicate the demand of those who are willing to pay the "natural" price.

38. Note that here Longfield is still using cost of production in the classical sense, which he later abandons. (p.47).

39. This question leads Longfield into a long digression on the effect of high prices in times of scarcity which is really an attempt to show that in such circumstances laissez-faire principles indicate the best course of action. This discussion seems to be prompted by the circumstances of Ireland at the time, and has no particular reference to the theory of value.

40. L.P.E. p.109.

41. Ibid, p.110 - 113.

42. Cf. this passage from Briggs and Jordan, "Text-book of Economics" 1935 ed., p.48: -"Again, to view the matter from another angle, if we bring all possible purchases into relation with a commodity in order of the intensity of their effective demands, the purchaser to whom the commodity is just worth its given price and who would not have bought at a slightly higher price is the marginal purchaser."

43. L.P.E. p.113-115.

44. "Nassau Senior and Classical Economics", p.91.

45. "On Some Little-known British Economists", Economic Journal, 1903. Reprinted in "Economic Essays".

46. Issue of June, 1834. This anonymous review was probably the work of Isaac Butt, who was one of the founders of the magazine and afterwards its editor for some years.

47. A similar idea is partially developed by Sir Edward West in his "Price of Corn and Wages of Labour" (1826) and might have given Longfield a first hint of his theory. West perceived the working of the "Law of Demand", but did not develop the marginal idea.

SECTION III.

1. L.P.E. p. 116. In referring here to "eliminating Rent from the cost of production "it does not seem that Longfield is thinking of eliminating it as a source of value, but rather as an element in the joint product.

2. West: "Essay on the Application of Capital to Land", pp.49-51. West uses the term "growing price" in the sense of cost of production./3.The other two causes were stated by Malthus to be:- "Firstly and mainly: That quality of the earth, by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land.
Secondly that quality peculiar to the necessaries of life of being able to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced."
—"Nature and Progress of Rent" 1815,p.8.

4. L.P.E. pp. 128, 133, 135.

5. Ibid. p. 116-7. By "the earth" in this case Longfield evidently means not only land but also all other natural resources, such as mineral deposits, which are "capable of being appropriated". The doctrine of rent was always extended to such resources by Ricardo and his followers, and although Longfield does not deal specifically with this problem, he presumably agreed with their view.

6. Wealth of Nations, Bk.I. Cp.XI.

7. Buchanan "Observations on the Subjects treated of in Dr.Smith's Inquiry" - "On the Price of such Commodities as yield a Rent" pp. 34 and 35.
Longfield had read the "Wealth of Nations" and although in quoting from it he never refers to any particular edition, it was very probably Buchanan's which he used. He may therefore very well have seen these comments of Buchanan's and been influenced by them, but nevertheless it is quite clear that he evolved his ideas on rent primarily from his own conception of value.

8. L.P.E. pp.120-121.

9. Ibid. p. 122.

10. In this connection, Longfield's summary of the theory of rent is of interest:-

"This theory of rent may be said to consist of two propositions. First, that the rent of land depends upon its fertility and situation, and upon the price of agricultural produce. Secondly, that the cost of production, or natural price of agricultural produce, depends upon and is regulated by the expense of producing that portion which is raised with the greatest amount of labour." - L.P.E. p. 136.

There is a confusion of thought in this, which makes it erroneous as a statement of the Ricardian differential doctrine; Ricardo held that the cost of production of "that corn which is raised with the greatest amount of labour" regulated the <u>market</u> price of all corn. The difference between this and the cost of producing corn on better land was rent. This was the basis for his contention that "rent does not enter into price", cost and price being identical at the margin of production.

Longfield by substituting "natural" for "market" price makes the cost of production of all corn the same as the marginal - yet he declares that rent forms no part of cost of production - it "depends upon the price of agricultural produce." This seems to lead to the conclusion that there must be some divergence of cost and price.

This may perhaps only be due to an unfortunate use of the term "natural price", for Longfield certainly understood the concept of differential returns quite clearly but it shows that he did not think of an invariable cost - price identity in the classical manner.

11. It is quite consistent with the existence of differential rent, and does not exclude the possibility, but scarcity rent can be considered as well.

12. L.P.E. p. 134. This power is of course not confined to land but is common to all productive factons; Longfield however does not seem to realise this, or if he does never points it out.

13. Jones "Essay on the Distribution of Wealth" 1831, p.213 (See below, p)

14. It is a little difficult to decide whether Longfield's second cause is to be taken along with the third, as part of the statement of the causes of Diminishing Returns (i.e., the "extensive case") or along with the first as a simple statement of the fact that a higher rent is naturally paid for land with advantages of fertility or situation on account of the greater produce it yields or the higher price obtained therefor. On the whole it seems that the former view is the correct one.

15. Longfield L.P.E., p.135.
Pareto, Cours d'Économie Politique, (Lausanne, 1897) Vol.II. Bk.II. 752, 759.
Cassel, Theory of Social Economy, Trans. Barron (1932) Vol.I. Cp. VII. p. 276.
Cf also this statement of Cassels (p.287):- "The rent of any piece of land of a certain quality is, on final analysis, a scarcity price referring in the first place to this land itself, and is determined by its supply and demand."

16. Longfield states the purpose of this Lecture to be "to prove this theory of rent, to free it from objections, and to point out the consequences to which it leads" (p. 132). Most of the objections which he considers are not of sufficient importance to merit detailed examination here, but his remarks on the subject of tithes and similar "fixed proportion" rents are of interest, however. Replying to the argument that rents are paid even in the earliest stages of society, Longfield argues that rents and tithes, which are a fixed proportion of the annual produce, are an addition to cost of production and so can be paid at any time. His idea appears to be that rent in the sense of the classical theory is a <u>result</u> of price, the surplus exacted by the Landlord from the Farmer's profit after the produce is sold; tithes, etc., are in the form of a cost independent of price.

In a note to p. 145 (Appendix p. 257) Longfield comments that Ricardo argues that tithes fall entirely on the consumer, and "In this he falls into an error which occurs frequently in his work, namely, that of supposing that the cost of production influences the price without diminishing the supply". This, says Longfield, is of course not the case; producers limit the supply to such an amount as they think can be sold at a price which will cover the cost of production. Consequently the effect of tithes is <u>partly</u> to tax the consumer by increase of price, but also partly to reduce rents in consequence of diminished consumption and production. He adds that Ricardo falls into the same error in supposing a tax on Farmer's profits to benefit the Landlord.

This objection is interesting, for the error is certainly a serious one and there can be no doubt that it does appear in Ricardo's work. Vice. "Principles" (ed.Gonner) pp. 157, 192-3.

17. Or alternatively, making unnecessary the expenditure of extra labour and capital "doses" on the better land.

18. "Part I: Rent" was the only section of the work ever published. It appeared in 1831.

19. "Essay on Distribution of Wealth", Bk.I. Chap. VII. p.211.

20. L.P.E., p. 137. It should be mentioned that Longfield never acknowledges that this is Ricardo's theory, or the other Jones.

21. "General Theory of Unemployment, Interest and Money" p. 192.

22. Torrens, "On the Production of Wealth" (1821 ed.) pp.115-117. Quoted in L.P.E. p. 150.

23. L.P.E. p. 154.

24. ibid., pp. 155-6. "Field" is the term used by Longfield - it must be understood to mean equal areas in every case. The wording "four times" is evidently only an error.

25. N.W.Senior "Letter to Lord Howick, on a Legal Provision for the Irish Poor", etc., p.62.

26. L.P.E. p. 157. Longfield notes that "The same effect might be produced by agricultural improvements causing a greater addition to the total produce of the soil than to the difference of the returns to successive applications of capital." This would be the intensive case.

27. Jones, op. cit. Chalmers, Rev. Dr. T., "Political Economy in connection with the Moral State and Moral Prospects of Society" (1832). Chalmers pointed out that resort to inferior soils does not imply reduced productivity of labour.

SECTION IV.

1. "Principles of Political Economy", ed. Gonner, Preface p.1.

2. Lauderdale, "Public Wealth", 1803. pp.203-4.

3. 'Wealth of Nations' , ed. Cannah, Bk.II. Cp.III. p.320.

4. Malthus, "Politicol Economy", 1820. p.31.

5. Ricardo, "Principles, ed. Gonner. pp.87-8.

6. Ibid, p.88. Ricardo has no need to consider the case of price rises in any other line of production but agriculture, since such price rises would always be a reflection of a change in labour value on his theory.

7. Ibid, p.98.

8. Longfield's arguments against this theory are dealt with below.p.70

9. The circumstances of the period may partly account for the development of these ideas. The idea of wages being advanced out of capital pending the sale of the product, would be an obvious deduction fromthe methods of the 'domestic system', still prevalent when Smith wrote, and in which almost all the capital of the merchants was 'circulating'. Yet fixed capital was certainly of sufficient importance by the time of Ricardo and the elder Mill to merit more attention than it received from them and their contemporaries.

10. L.P.E. p.178.
11. Ibid. p.163
12. Ibid. Appendix, p.249.
13. E.g.,pp.218, 232.
14. L.P.E. p.196.
15. Ibid, p.187.
16. Ibid, p.224, Lecture XI.
17. Ibid, p.158.

18. Longfield considers that if the workmen were required to wait until their products were sold for their wages the result would be that "prices would rise beyond the power of the labourer to calculate." (p.162). He cynically remarks that "what indeed the workman generally has in his mind, when he adopts the pernicious argument to which I have alluded," (that he should secure the whole produce of his work) "is such a state of things that would increase his wages, without at the same time proportionatly increasing the wages of those who produced commodities for his use." He thinks that profits also produce a rise in the price of the product, but presumably this is not so great on account of the "better ability to wait" of the capitalist. This point is not specifically considered.

19. L.P.E., pp.164-5. Longfield is careful to emphasise in this connection that he considers the consumption of food, etc. by labourers as being "unproductive". This is probably another reason why he was not deluded by the idea that "what is saved is consumed."

20. Ibid., pp.166-70. (passim) Longfield points out here that it may be thought that labour is productive of enjoyment long before unproductive consumption of its product takes place, "that it might set other labourers in motion, and that they are thus enabled to support their families, &c." This idea arises from a confusion between "the sources from which commodities are derived, and the occasions on which they are distributed." In the case given above what actually takes place is merely a distribution of previously existing commodities. Unproductive consumption provided the real source from which they (or rather the means to pay for them) are derived.

21. <u>Vide</u> Taussig: "Principles of Economics", 1926 ed. Vol.II pp.214-6

22. L.P.E., p.170.
23. Ibid, p.171.

24. Torrens, "Essay on the External Corn Trade."
M'Culloch, "Principles of Political Economy."

25. L.P.E. p.171. 26, Ibid, p.178.
27. Ibid, p.183.

28. Ibid, p.186. There seems to be a hint here of the idea that "Industry" (in the sense of capacity to employ labour) is limited by capital," but it is never more fully developed, or even mentioned again.

29. The idea of the West-Ricardian doctrine was that higher wages (were needed to purchase the same 'level of Subsistence'. Longfield seems to be thinking of subsistence in real terms. Apart from this, however, there is also the question of how the subsistence level is to be defined. See below, Sect.V.p.4.

30. L.P.E. pp.184. 186. 31. Ibid, p.187.
32. Ibid, p.188.
33. As in the case of provisions.
34. L.P.E. p.195.
35. Ibid., pp.193-4.
36. Ibid. p.198.

37. It is interesting to note how Longfield considers, and deals with the difficulties in measurement of marginal product:- "The additional capital is so mixed up with the former quantity, that no separation can be made, except in imagination. A machine may render labour 1,000 times more productibe, and yet may partly consist of that capital which is least efficiently employed, since perhaps a similar machine made in a less expensive manner, might be nearly as efficient in increasing the productiveness of labour. In such a case I consider the difference in expense between the two machines as the last application of capital in this respect, and the difference of their efficiency is the measure of the efficiency of such last application." (p.199).

38. "Some little-known British Economists", Economic Journal, 1903, p.528.

SECTION V.

1. "Wealth of Nations" ed. Cannan, 1904. Bk.1 Cp.VIII, page 69.

2. It should be noted that the exact character of the subsistence level is not defined and it may possibly be a very high one.

3. Mill "Elements of Political Economy" 1821 ed. p.25.

4. Ibid.p.42. This uncompromising statement is very typical of Mill.

5. L.P.E. p.202. The use of the phrase "relative wages" here seems incorrect, but evidently it must be taken along with the qualification "in different countries" to mean the general rate of wages in any particular country.

6. L.P.E. p. 203.

7. As already noted (above, note 2) the subsistence level was quite frequently not defined as a minimum at all.

8. L.P.E. pp. 205-6. The discussion which ensues with regard to the importance of distinguishing "primary and secondary causes", or as they would now be called, short and long term effects, is of some interest. Longfield emphasises the fact that subsistence levels are only of secondary importance to wages, and further shows with great clarity how cost of production affects chiefly long period price.

9. 3.Sects.on Commerce, pp.85-6. There is a certain resemblance between this argument and that advanced by West in "Price of Corn and Wages of Labour" (see below, p.)

10. But see the reference to employment and capital, L.P.E. p.186. quoted on p.79 of Sect.IV.

11. L.P.E., p.209-10.

12. Ibid, p.210. Longfield says here that "Menial servants, and those labourers usually termed unproductive, must be maintained by funds derived from other sources" but he does not explain what those sources are. Presumably these wages are to be regarded as transfer payments only.

13. L.P.E. p. 211-2. The introduction, characteristic of Longfield, of the value as well as the quantity of labour, seems to invalidate the theory, making it in fact an argument in a circle, but the examples given make it clear that in this case "value" must be understood to mean <u>relative values</u> of labour. Even so, the assumption that these differences in relative values can be, as it were, divorced entirely from wages (in which eventually they must be measured) is a considerable and a dubious one.

14. Above, Sect. IV. p.69.

15. ~~14.~~ - "The prices of articles should be proportional to the quantity of labour employed in its production; (<u>sic</u>) and the wages of the labourers would depend upon the productiveness of labour: the more they produced, the more they would receive." This would seem to involve the assumption that other costs are in a constant proportion to labour, but in so far as the cost of production be taken to consist of wages and profits (and on Longfield's view the terms can be interpreted widely enough to make this true) this is covered by Longfield's special assumptions on profits.

16. L.P.E. p. 212.

17. It is curious that when he has developed the idea of marginal productivity in connection with capital, Longfield does not extend it to the case of labour. This is perhaps the only case in his work where his attachment to the idea of labour as a measure of value has any material influence on his arguments.

18. L.P.E. p.215.

19. Ibid. p. 217.

20. The higher rate of profits which capitalists require as an insurance against risk, chiefly risk of 'fraud or violence' on the part of labourers, acts as a tax on wages according to Longfield. Other taxes on commodities, he thinks, only affect the condition of the labourer when they are imposed on articles which he consumes, since their incidence is wholly on the "unproductive consumer."

21. L.P.E. p.220.

22. Thus, for instance, both Longfield and Senior were much concerned over the question of the Irish Poor Law.

23. L.P.E. p.70.

24. Ibid. p. 83-4.

25. Ibid. p. 105-6.

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SECTION VI.

1. L.P.E. p.222

2. Ibid, p. 224.

3. Historical confirmation of this is hard to obtain, but there seems to be no good ground for Longfield's assertion. M'Culloch, in his "Statistical Account of the British Empire" (1839 ed.) says that distribution of rents cannot be satisfactorily ascertained, but that Baker in his "Observations on the Income Tax" (untraced) estimated the number of landlords in England at "200,000 at least" with an average rental of £150. In agricultural areas, M'Culloch says, the landlords were becoming less numerous since 1800, but in manufacturing districts their numbers were increasing. (vol.1.p.545). He gives no figures for Ireland, but actually Longfield seems to have England in mind in all this discussion.

4. L.P.E., p.225, 227. The argument that the same estate affords greater comforts to a greater number contains the fallacy that no mention is made of the amount of rent paid for it - this would naturally have increased in the progress of time also.

5. Ibid, p.228.

6. Ibid, p. 229.

7. Longfield supports this proposition by saying that increased skill enables machinery to be constructed more cheaply in proportion to its efficiency, but he adds the further reason that "it adds to the value of the labour, which is multiplied or superseded by its means". The presence of no less than three pronouns here, following on another just previous, makes it very difficult to understand whether machinery or labour is being considered as adding to value. In either case the proposition seems to be virtually meaningless and quite out of accord with Longfield's theory of profits.

8. L.P.E., p.230.

9. L.P.E., p.234.

10. It must be emphasised that these conclusions are more implied than expressed in Longfield's writing. He himself is not always clear on the distinction between aggregate proportions and individual amounts.

11. Nor does he recognise the further possibility that aggregate total wages might increase, while the rate of wages fell and the proportional share of Labour fell also.

12. In anote to page 203. Longfield reviews and rejects all the arguments in favour of this conclusion, both theoretical and practical.

13. L.P.E. p. 237.

14. Ibid, p. 238.

15. Longfield emphasises that he does not mean that the relative wages inside one country will all be raised. "That would be absurd; all cannot rise in proportion to each other." But the relative wages of the labourers of a prosperous country are raised in comparison with those of the labourers of other countries, and their standard of life is higher. (See below, Sect. VII).

16. "On the English and Irish Analyses" p,3. Vance shows a good grasp of the essentials of both theories and draws attention to Longfield's inversion of Wages and Profits, but he devotes rather excessive attention to the verbal meanings which can be put on the terms. He declares Longfield to have advanced a theory of <u>money</u> wages and two separate theories of Profits, and makes no reference to the marginal concept at all.

SECTION. VII

1. 39 & 40 George 111. c. 67. Art. 6. There were certain exceptions to the provision regarding tariffs; calico and muslin were to be subject to the existing duties only until 1808, and these were then to be reduced proportionately every year until 1816, when they reached 10%, at which level they were to remain until 1821. Similarly, cotton yarns and twise were to have the duties on them reduced proportionately every year after 1808 until they ceased altogether in 1816.

2. The following estimates are given in a "Summary of the History and Statistics of Ireland" by Rev. E. Groves, published in the Encyclopaedia Brittanica in 1836:

	"Official Value of Imports from Gt. Britain into Ireland."	"Official Value of imports from Ireland, being the produce of the United Kingdom, into Gt. Britain."
1801.	£3,270,351.	£3,352,069.
1805.	4,067,717.	4,201,077.
1809.	5,216,577.	4,367,425.
1813.	6,746,354.	5,164,483.
1817.	4,722,766.	5,569,485.
1821.	5,338,838.	7,067,252.
1825.	7,048,936.	8,404,288.

Decennial figures, giving annual average ;-

1789-99	£2,923,321.	£3,816,018.
1809-19	£4,787,434.	£5,722,242.

Groves gives no explanation of these figures, which are presumably Customs returns. The curious phrase "being the produce of the United Kingdom" seems to mean the produce of Irelandafter the Union.

3. Many pamphlets were published setting forth the case for industry; a typical example is "The Commercial Injustices," an Appendix to a Report to the Repeal Association, which was published during the later Repeal agitation of the 1840's.

4. 3 L.C. pp.24-5.

5. Ibid. p.55.

6. As, for example, on p.62;- "Nor let it be said that we should suffer, since we should give the produce of ten days of our labour for that of one day of theirs."

7. 3 L.C. p. 57.

8. It is interesting to note how this derives from labour cost through Longfield's wage theory. As already mentioned (above, sect.V) this contains the idea of the value of the product being proportional to the amount of labour used in making it, each labourer's share being in proportion to the amount of work he contributes. Starting from this idea, Longfield then brings in the various aids to labour which may increase the proportion by increasing productiveness, so taking into account all other factors as well. Labour cost, however, remains as the starting-point. See below, p.108

9. 3 L.C. p. 58

10. L.P.E. pp.70-71.

11. Except in so far as a variation of the combination of labour with land might be considered.

12. 3.L.C. pp.56-57.

13. 3L.C. p. 56.

14. Ibid pp.69-70.

15. 3.L.C. p.31.

16. Ibid. Appendix p.102.

17. Ibid, p.44.

18. Ibid, p.75.

19. 3.L.C. pp.81, 107, 109.
Most of the other arguments which Longfield gives against absenteeism are of a social nature, and have no importance for theory.

20. 3.L.C. "note to Page 43." (App.p.99). It seems that this and the succeeding 'note to Page 51' have been transposed; otherwise they appear rather irrelevant to the text.
Evidently Longfield must mean primarily money wages in this case for there is no real reason why an increased demand should improve the productiveness of labour, although this might be a secondary consequence. It is interesting to compare this passage with Cairnes: "Leading Principles p.p. 400-408("Wages and Foreign Trade") where this writer reaches an identical conclusion, but is evidently unaware that Longfield had anticipated him.

21. L.P.E., p. 239.

22. 3.L.C., p.28. Allowance must be made for the fact that Longfield may have said this chiefly because he wished to emphasise that free trade could not harm Ireland.

23. 3.L.C. App.p.95.

24. Ibid. p.2.

25. Ibid, App.p.96.

26. Ibid, p. 62. This is evidently a misprint for "....we receive to those which we give..."

27. Ibid, p.62.

28. Ibid. p.64.

29. Ibid, App. p.96.

30. S.L.C. pp.26-7.

31. Ibid. Appendix. pp. 100-101.

~~Weltwirtschaftliches Archiv 1932~~.

32. Viner "The Doctrine of Comparative Costs," Weltwirtschaftliches Archiv, 36.Bd. pp.365, 378-79, 402, 407.
Ohlin:"Inter-Regional and International Trade, pp.31-32,42.

SECTION VIII.

1. See also reference above, Section II.
Butt had ceased to be editor in 1840, and it is not definitely known who had taken his place.

2. Longfield read a paper on Banking to the Dublin Statistical Society in 1848, which would have provided an interesting comparison with these 1840 articles, but the Society did not publish the paper, and the manuscript seems not to have survived. The minutes of the Society reveal that Longfield was appointed to a sub-committee formed to consider the printing of member's papers later in the 1848 session, and it would, therefore, seem that he must have suppressed his own work.

3. These Committees were:-

1832 - Committee of Secrecy on the Bank of England Charter.

1836-38 - Secret Committee on Joint Stock Banks.

1839-41 - Committee on Banks of Issue.

4. The Act of 1820 was a dead letter, for it required that every proprietor of an Irish joint-stock bank must reside in Ireland, which made it impossible to raise the necessary capital. The 1825 Act repealed this provision, and from that time onwards joint-stock banks developed steadily (See Dillon "History of Banking in Ireland,"p.50.).

5. Dublin University Magazine, Oct.1840. p.383.

6. Thornton says that ~~the~~ bills "evidently form, in the strictest sense, a part of the circulating medium of the kingdom" - "Enquiry into the Nature and Effects of the Paper Credit of Great Britain", Library of Economics edition (1939) p.92.

7. Dublin University Magazine, 1840, pp.6 & 7. The fallacy is obvious enough; but perhaps Smith's argument is not so far from representing the facts in modern conditions as it was in 1840.

8. Dublin University Magazine, Jan. 1840. p.8. It was customary for all contributors to adapt the editorial "we".

9. It is interesting to note that in the discussion of the effects of a deficient harvest the movements of wages are explained on the basis of a productivity theory and the subsistence theory is rejected. This seems to support the view that Longfield was the writer of these articles.

10. The gold was required in America to assist in the reform of the banking system there, and in Ireland because doubt had been cast on the validity of Bank of England notes as legal tender there. (See Feaveryear, "Pound Sterling", Dillon "History of Banking.")

11. D.U. Magazine, Dec.1840. p.618.

12. Ibid. Feb., p.218.

13. Ibid. Feb., pp.222-3.

14. John Law "Money and Trade Consider'd, with a Proposal for Supplying the Nation with Money". 2nd.ed. London, 1720. Blacker, "The Evils inseparable from a Mixed Currency", London, 1839.

15. Law proposed that the security required should take the form of titles to land, because "land has a more certain Value than other goods, for it does not increase in Quantity, as all other Goods may." (Money and Trade, p.74).
Blacker considered mercantile bills the best security.

16. "Evils inseparable", etc.p.20.

17. D.U. Magazine, Oct. 1840. p.389.

18. This relation of the problem to supply and demand is very characteristic of Longfield.

SECTION IX.

1. L.P.E., p.242.

2. Ibid, p. 87.

3. Ibid, p.96.

4. Ibid, p.63.

5. Ibid, p.159.

6. Ibid, p.54.

7. See above, Section VII.

8. "Four Lectures on Poor Laws" p.47.

9. L.P.E., p.5.

10. 4 Lects. Poor Laws, p.2.

11. Ibid, p.33.

12. 3.L.C. pp. 44-45.

13. Ibid. pp.36-7.

14. As a comparison with, e.g., M'Culloch's "Principles", would seem to indicate.

15. This address does contain an interesting computation of the National Wealth of Ireland before and after the Famine, which provides an example of Longfield's interest in the statistical side of economic study. It is, however, a rough estimate, not a comprehensive survey. Longfield takes national wealth to be material property and amount of National Debt payable in Ireland, <u>less</u> mortgages on Irish property held by English mortgagees and amount due by Irish traders to English manufacturers. Estimating the changes in each of these four items, he concludes that national wealth has been little diminished by the Famine.

16. All quotations are from the report of the address given in the Society's Journal, Vol.I. (Jan. 1855) pp. 153-164.

17. Address by the President, Hon.Judge Longfield at the opening of the 18th Session, 26th November, 1864. Dublin Statistical Society Journal, Vol.XXIX, p.129.

18. Read before the Statistical and Social Inquiry Society of Ireland, 23rd April, 1872, by W.R.McDonnell (Minute Books of the Society, 1872).

19. Journal of the Statistical and Social Inquiry Society of Ireland, pt. XLII. p.108. It is interesting to compare this proposal with the historical account of social services in the Beveridge Report:-

"Finally, in 1908, an Act to provide for Old Age Pensions was passed. It is noticeable that the scheme was not financed by compulsory contributions, and the main effect was to enable people to receive a pension of <u>1/- to 5/-</u> a week on reaching the age of 70, subject to a means test, but not subject to the stigma of poor relief nor was destitution made a condition.

---Cmd. 6404, Appendix B, p.211, par.4.
(Italics mine)

It must be remembered that Longfield's scheme would have applied to male labourers only.

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