

**RICHARD JONES : AN EARLY ENGLISH
INSTITUTIONALIST**

**BY
NAI—TUAN CHAO, Ph. D.**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY
IN THE
FACULTY OF POLITICAL SCIENCE
COLUMBIA UNIVERSITY**

**NEW YORK
1930**

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To
MY MOTHER

PREFACE

The following essay is an attempt to present the economic theories of Richard Jones, an English writer of the early Nineteenth Century. His institutional approach to economic problems attracted my attention for two reasons. In the first place, while I was working as a compiler in the National Bureau of Historical Research in Peking from 1920 to 1922 I was greatly impressed by the abundance of historical documents on Chinese economic history, but at the same time I was disappointed to find that the English Classical economics had nothing in common with Chinese economic conditions. Thus I became anxious to discover any English writer who emphasized the historical and institutional treatment of economics.

In the second place, after receiving instruction in economics from Professors Seligman, Seager, Mitchell and Simkhovitch at Columbia University I realized that the modern tendency of economic theory is to put great emphasis upon comparative study, historical treatment and the institutional approach. My study under these teachers led me to inquire whether these modern ideas could be traced back to any writer of the period when the Classical School dominated economic thought.

I owe a special debt to Professor E. R. A. Seligman, who first suggested the subject of this dissertation to me, and

without whose instruction the work could scarcely have been undertaken. For invaluable suggestions and supervision in the development of the study I am greatly indebted to Dr. E. M. Burns. Without her criticism and untiring guidance the work would not have been completed. I also wish to express my gratitude to Mr. R. W. Souter for his suggestions and my obligation to Miss Irma Rittenhouse for her aid in correcting the manuscript. I am particularly indebted to my friends Mr. and Mrs. S. S. Slaughter for their assistance in the course of the preparation of this study. Above all, my gratitude is extended to my wife for her warm sympathy and constant encouragement.

N. T. C.

New York, April 30, 1930.

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CHAPTER I.

INSTITUTIONAL ECONOMICS

I. *Chief Characteristics of Institutional Economics*

ECONOMIC theory moves through a cycle of criticism, reconstruction, and approbation of the institutional order. The laissez-faire theory was first formulated as an instrument of criticism and reconstruction of Mercantilism, the success of the laissez-faire doctrine laid the foundation of the Classical School, which emphasizes the rational and calculating nature of man and undertakes to interpret economic equilibrium. Classical political economy discusses the influence of competition as a check on human selfishness in the pursuit of profit. Its fundamental assumption throughout the analysis is the invariability and universality of economic forces.

But the economists of today are not so much interested in abstract economic theory. In recent years they have neglected the old deductive approach and have turned more and more to the finding of facts as a method of study. They have a strong inclination towards those fields of economic study which bear directly upon the economic welfare of the people. Many students of economics are convinced that the order of study should be a search for principles through analysis of existing situations. Most of our younger economists¹ hold that it is a mistake to differen-

¹ Important recent contributions to institutional economics are as follows: Mitchell: "The Prospects of Economics," in *The Trend of Economics*, 1924, edited by Tugwell; Hamilton: "The Institutional Approach to Economic Theory" in *American Economic Review*, 1918; Edie: "Some Positive Contributions of the Institutional Concept" in the *Quarterly Journal of Economics*, 1927; Thorpe: *Economic Institutions*, 1928.

tiate economic theory from the study of economic institutions. They would maintain that while the theories of value and distribution will retain their place as the important subject-matter of economics, further development of such supplementary topics as those dealing with economic institutions is to be expected and desired.

Institutional economics claims to meet the demand for a generalized description of the economic order as a whole. It lays stress upon the process of habituation. It asserts that habits are formed mainly by the discipline of the daily world, and that such habits, shared by large numbers of the people, are called institutions. An institution is a type of usage which has become indispensable by its general acceptance. Institutional economics attempts to explain the character of the social order in conjunction with its economic phenomena. Its inquiry must go beyond sale and purchase to the peculiarities of the economic system which allows these things to take place upon particular terms. It must not stop short of a study of the conventions, customs, habits and thinking and mode of doing which make up the scheme of arrangements which we call the economic order. It must set forth the relations, one to another, of the institutions which together comprise the organization of modern industrial society.

There are four chief features of institutional economics. In the first place, this approach to economics is based upon an acceptable theory of human behavior. Institutions are merely conventional methods of behavior of the group and the economist had a good use for the study of institutions because they are those habits which are shared by large portions of the people; they are mass phenomena. If we want to understand the behavior of people in the large, the important task is the study of institutions.

In the social sciences we are concerned with changes that have occurred in human behavior in the past, and we are interested in the further improvements which can be made in the future. Changes in social life have been due

primarily to changes in behavior. If the life of the large mass of people in this country is now widely different from that of their ancestors, it is not because men are born nowadays with better brains. Our reflexes, instincts and capacity to learn are believed to be substantially the same as those of our cave-dwelling forefathers. The reason that we have managed to achieve a much higher level of economic well-being and comfort must be ascribed to the fact that we have acquired mass habits of thought and activities quite unlike the habits of thought and activities of the caveman. We have developed, through a long process of cumulative change, more effective ways of training our native capacities. It is these widely prevalent social habits, learned afresh with modifications by each generation, that make our behavior so different from that of our ancestors and that will make the behavior of our descendants different from ours.

So far as we are interested in social change we must center our attention upon the development and cumulative changes of human behavior in our institutions. Custom plays an important part in our economic activity as well as in every other department of social life. To-day much of our personal expenditure is controlled by what custom has declared to be proper, rather than by any act of our own individual reason. "Custom, convention, prestige—all are names indicating the influence which a group exerts over the choices of acts of its members through mere social approval and public opinion, or uncompelled deference to superior competence."¹

The individual is a social product. He is not self-contained, with natural and stable wants, for he is constantly shifting his likes and dislikes with the social mind of his crowd. The larger part of our behavior in detail is imitative; it takes advantage of what other people have invented. The great characteristic of modern civilization is that it

¹Z. C. Dickinson: *Economic Motives*, 1924. p. 216.

embalms discoveries in print, producing a cumulative stock of other people's experience. The institution of money economy stamps its pattern upon human nature, makes us all react in standard ways to the standard stimuli, and affects our very ideas of what is good, beautiful and true. "Institution" is really a convenient term for the most important among the highly standardized social habits. Hence, it seems that the behavioristic point of view will make economic theory more and more a study of economic institutions.

Secondly, economic theory should be relevant to the modern problem of control. A shift in problems and a general demand for control have made institutional economics an appropriate method of attack. The shift in problems has been due partly to a discovery that institutions are social arrangements capable of change, partly to a consciousness that economic activity, once thought voluntary, is controlled by subtle conventions and habits of thought. In economics as in other sciences, we desire knowledge mainly as an instrument of control. Control means the shaping of the evolution of economic life to fit the developing purposes of our race. Economic life is too intricate and conditions in different industries too diverse for a single form or organization to work equally well everywhere. Competition is not always satisfactory as a protective force, assuring to buyers honest goods and reasonable prices and to sellers a fair return for their labor and capital.

Under our present economic organization, there are several disadvantages.¹ One of the outstanding features in our industrial society is uncertainty as to the demand for goods caused by the fickleness of consumers' desires and the business cycles. Our existing economic organization makes demand abnormally variable and produc-

¹S. H. Slichter: "The Organization and Control of Economic Activity," p. 328, in *The Trend of Economics*, edited by Tugwell.

tion in anticipation of orders extremely dangerous. One other equally important feature of modern industry is the existence of waste. The fundamental cause of waste is the fact that conditions under free enterprise require that managers of great concerns give their attention primarily to the problems of general business policy and strategy rather than to those of internal plant management. But the most striking aspect of modern industry is the failure of business enterprises to procure the active cooperation of employees in increasing output. It is indeed evident that the need for better methods of controlling economic activities is more urgent to-day than a century ago.

Institutional economics deals with the problem of control from the standpoint of historical development.¹ The primitive human clan was an enlarged family, bound together by ties of blood, and the system of control was correspondingly close and complete, producing much communism in primitive institutions. The Roman Empire, which is famous for its system of control, extended military control until it embraced the entire Western world. During the Middle Ages the chief organs of control in the towns were the guild merchant and, later, the craft guild, while at the same time, the Church was insisting upon the doctrine of the "just price." The Mercantile doctrine of a later era used to be called "the system of restriction." The presumption of this school of control was that any especially useful branch of production should receive artificial support, and the most useful branches were thought to be foreign trade, shipping, and manufacturing. Against the perverted restraints of Mercantilism arose the doctrine of individualism, which stated that individuals should work in what places and at what trades they chose, that business should determine for itself what branches of production to develop, that the control of quality and workmanship should be left to the consumer and his power

¹ J. M. Clark: *Social Control of Business*, Chap. II.

of choice. But even such a real individualist as Adam Smith did not claim perfection for the system of free enterprises, for he justified some sorts of control on the grounds that national defense is more important than national wealth.

Present-day industry is essentially a matter of public concern and the stake which the public has in its processes is not adequately protected by the safeguards which individualism affords. The community has ample grounds to devise effective methods to protect or promote its interests, and control must be exercised by modifying the arrangements which make up our scheme of economic life in such a way as better to satisfy our needs. Control of particular fields of economic life, however, requires a knowledge of particular institutions. If we want to deal intelligently with the problem of inflation, we must understand the financial organization of society. For this purpose the economist's business is to analyze the workings of existing institutions. We can accept as scientific only those theorists who make the cumulative changes of institutions their chief concern.

Thirdly, economic theory should unify the whole economic order, and only institutional economics can meet this test. In describing economic organization in general terms it makes clear the kind of institutional world within which each particular factor, such as banking, the money market and the corporation, has its existence. It shows the nature of each by pointing out the parts they play in the larger whole. For many years there has been a notable difference between the way in which economists have handled economic theory on the one hand and the way in which they have handled such problems as insurance, tariff, public finance, trusts, and labor on the other. The monographs have made little use of the theoretical treatises, and the treatises have drawn upon the monographs only for illustration. If we make economics an account of the cumulative changes in economic behavior, all studies of special institutions become organic parts of a single whole.

Lastly, institutional economics is concerned with matters of process. It is a dynamic concept, considering economic phenomena in the process of change. It deals with the evolutionary process as well as with wave-like fluctuations. The former term applies to those changes which, in the absence of great disturbing causes, develop in a certain definite direction without being subject to repetition, such as the growth of population. The latter refers to variations which are changing their directions in the course of time and are subject to repetition, such as the fluctuations of price levels.

In studying the processes of change, institutional economics takes into consideration both qualitative and quantitative variations. In certain cases, such as economic organization, the technique of production, and the effect on demand of changes in fashion, qualitative changes are not less important than quantitative variations for the seemingly eternal features of the social structure are gone in a few generations. For instance, land is now free to all, now parcelled out with well-nigh absolute right of individual possession. In other cases, such as prices, rates of interest and the distribution of income, quantitative variations are of fundamental importance and their study is promoted by the extension and improvement of statistical compilations.

One must not forget in the study of economics that the phenomena with which it deals are pervaded by the spirit of life, moving forward and backward, progressing or decaying, under those influences which control the rise and fall of social institutions. The price structure, the wage system, and like institutions, refuse to retain a definite content. Not only are things happening to them, but things are going on within them. An evolutionary economics must contain a theory of a process of cultural growth as this process is determined by the economic interest, a theory of the cumulative sequence of economic institutions 'stated in terms of the process itself. The science is biological rather

than mechanical. In a word, we are in the incipient stage of a reconstructed institutional economics, responsive to the method of science grounded in a modern psychology of human behavior, and unified by the principle of intelligent control of economic life through additional knowledge of economic experience.

II. *The Institutional Approach of Richard Jones.*

It is very interesting to notice that there are but few recent developments in economic doctrine for which we cannot find a forerunner in an earlier period.

“British economists during the twenties and thirties of the Nineteenth Century,” Professor Seligman remarks, “far from presenting the dull level of uniformity and agreement which is really associated with the name Classical School, abound in writers, many of them of considerable ability, who did not scruple to attack the premises as well as many of the conclusions of the dominant sect, and who struck out for themselves new paths which have had to be re-discovered by modern thinkers.”¹

This statement is true even of a single writer like Richard Jones, the man who should be regarded as the first important writer to attack the doctrines of the Ricardian School, and who also should be considered as the founder of modern institutional economics. His theory of the distribution of wealth is wholly based upon his concept of existing customs. In his opinion, it would be a great misconception of the actual course of human affairs to suppose that competition exercises unlimited sway over distribution. When the division of the national produce is a matter of fixed usage, political economy has no definite law of distribution to investigate. It has only to consider the different institutions of various nations. In discussing the theory of

¹ Seligman: “On Some Neglected British Economists,” *Economic Journal*, 1903.

rent, for example, Jones presented many different economic organizations in various nations. He always traced the development of the social and national character back to economic habits and traditions.

"We may be prepared," he says, "therefore, to see without surprise the different systems of rents which in this state of things have arisen out of the peculiar circumstances of different people, forming the main ties which hold society together, determining the nature of the community and the governed, and stamping on a very large portion of the population of the whole globe their most striking features, social, political and moral."¹

In his discussion of almost every economic problem, terms such as "economic habits," "economic custom," and "economic tradition" appear frequently. His article on the system of the balance of trade is regarded as an original contribution to the study of early English economic institutions. The immobility of labor and the accumulation of capital are also treated from the standpoint of economic institutions.

Jones' inductive philosophy is to "look and see." He believed that the economic principles which determine the position and progress of man and govern his economic conduct under various circumstances can be learned only by an appeal to experience. He also pointed out the relativity of economic forces and offered a realistic study of economic phenomena. He suggested a physical, social and political interpretation of economic motives. He asserted that those scholars must be shallow reasoners who by mere effect of consciousness, by consulting their own views, feelings and motives, and the narrow sphere of their personal observations, and reasoning *a priori*, think that from them they will be able to anticipate the conduct, progress and fortunes of large bodies of men, differing

¹ Richard Jones: *Distribution of Wealth*, 1831, p. 4.

from themselves in moral or physical temperament, and influenced by differences, varying in extent and variously combined, in climate, soil, religion, education and government.¹

Jones' method of induction led him to compare conditions in developed and undeveloped countries. From labor conditions, rent payments, capital accumulation, to the wealth of a nation at large, he emphasized throughout all his works the method of comparison. In discussing the productive power of the people and the inequality of distribution of income, he always took into consideration the social and national character of different countries. He insisted that "if we want to understand the subject of wages or rent, for instance, and take the trouble to observe how the various nations of the earth employ and pay their laborers or distribute to the landowners their share of the produce of the soil, we shall gain much information in our progress." Such comparison of the economic factors operating in different countries might yield inductive principles and so make it possible for backward nations to be brought into better alignment with modern economic progress.

Jones did not make any distinction between economic principles and economic problems. He said that theory and practice are often presented as opposed one to the other, but, strictly speaking, theory is the result of an examination into facts, and is never opposed to facts. Since he put great emphasis upon experience and observation, he was naturally inclined to minimize the importance of the deductive method.

The different opinions of the champions of the inductive and deductive methods are, however, due to the fact that there are minds that tend to deductive reasoning, to systematic exposition, to generalizing and dogmatizing; while there are other minds of a more historical bent, that turn

¹ *Distribution of Wealth, Preface; Literary Remains*, edited by Whewell, 1859, p. 188.

to induction, to historical and statistical investigation.¹ The latter lean to special study, even to microscopic study; the former lean to systematic arrangement. Each tendency has its strength and its weakness, its merits and its defects. Which method is to be used depends on the nature of the particular problems and on the turn of mind and very probably on the accidents of training and education, of the individual investigator. The principle of proportion in the employment of the factors of production in industry may be equally well employed in dealing with scientific methods. As the producer of wealth will push his investment in the different agents of production up to a certain point, which has been called the margin of profitableness, so, in the manufacture of economic wisdom, each of us should expend his little fund of energy, partly on the fixed capital of the deductive organon and partly on the materials of historical experience. The margin of profitableness in the intellectual as in the external world will differ with the personality of individuals.²

The use of the inductive method tends to broaden our views of the relations of society. It carefully observes the limits of time and place, and abstains from asserting its principles to be either universal or perpetual. It emphasizes the importance of history for the purpose of discovering what blunders men and nations have made in their economic experience and how these blunders may be avoided in the future. The inductive method is also comparative; that is, it compares the economic institutions which perform the same function in different nations. The method is, finally, statistical; that is, it collects statistical data as a basis for its knowledge, in order to measure economic forces and gauge the results of economic action.³

¹ Wagner: "On the Present State of Political Economy," *Quarterly Journal of Economics*, Vol. I, 1886.

² Edgeworth: "The Scope and Method of Political Economy," Inaugural Lecture delivered in 1891 at the University of Oxford.

³ R. M. Smith: "Methods of Investigation," *Science Economic Discussion*, 1886, The Science Company, New York.

The attitude of Jones towards these problems is exemplified by his views on history and statistics, which were, he held, the two sources of knowledge available in economic investigation. In observing the long train of events recorded by history, we detect the immediate and remote effects of the economic institutions we are analyzing. The historical documents, both of our own and foreign countries, contain large and unknown stores of economic instruction.

"It must be admitted" Jones remarks, "that political economy must found all maxims which pretend to be universal on a comprehensive and laborious appeal to experience; — it must be remembered steadily that the mixed causes which concur in producing the various phenomena with which the subject is conversant, can only be separated, examined, and thoroughly understood by repeated observation of events as they occur, or have occurred, in the history of nations."¹

"The wide range of history teems everywhere with facts, which may, with care, be made to enlighten or correct us in our pursuits. The past and the present, then, concur in offering to us an abundant harvest of materials for the construction of a system of economic truths, which shall be securely founded in the actual experience of mankind. If we observe these materials thoroughly, and infer from them with modesty and caution, it would be mere intellectual cowardice to despair of gaining sound knowledge in all the departments of political economy. The past is our own to be schooled by the present to act in; and economic researches which explain the story of the past, and make visible the actual condition of our own and other nations, are full of the instruction which it is most our business to prize and use."²

¹ Richard Jones: *Distribution of Wealth*, 2nd edition. *Preface*, p. 19.

² *Literary Remains*, p. 559.

Edgeworth insisted that Jones was a philosophical historian, not a mere chronicler.¹

Recourse to history places before us the faithful picture of time past, not by simply putting together a skeleton of facts, but by following the living program of events and the organic development of institutions. The historical point of view consists in rightly discussing what belongs to each epoch. It does not consist in the worship of the past, any more than in the depreciation of the present. On the contrary, the historical method harmonizes well with the wants of economic progress. Nationality, time and place play an important part in historical method.

Jones was, indeed, the first to use the term "economic anatomy" which was later employed by Roscher, the leader of the German historical school.

"An accurate knowledge of the economic structure of nations can only give us the key to the past fortunes of the different people of the earth, by displaying their economic anatomy, and showing thus, the most deeply seated sources of their strength, the elements of their institutions, and causes of their habits and character."²

Jones made this statement in 1833, and two decades later Roscher adopted the same idea in almost the same words. Roscher said:

"Our aim is simply to describe man's economic nature and economic wants, to investigate the laws and the character of the institutions which are adopted to the satisfaction of these wants, and the greater or less amount of success by which they have been attended. Our task is, therefore, so to speak, the anatomy and physiology of social or national economy."³

¹ *Dictionary of Political Economy*, edited by Palgrave and Higgs, Vol. II, p. 491.

² *Literary Remains*, p. 560.

³ Roscher: *Principles of Political Economy*, Vol. I, p. 111.

Between Jones' *Political Economy of Nations* and List's *National System of Political Economy* there is close resemblance. In his Lectures Jones made an introductory remark:

"I shall attempt to trace from history and observation, in what manner and by what agencies different populations now produce and deal with, or in other days have produced and dealt with, their respective amounts of national wealth. I believe that we shall find such a survey the safest method of deciding on what causes have determined the relative wealth of different communities in past times, or determine it in our own."¹

Jones also emphasizes the human factor in dealing with the problem of national wealth, which he believes depends upon human skillfulness and not material riches. And the same expression was echoed in Germany a few years later by F. List, who made a bold attack on the Classical School.

"That book of actual life I have earnestly and diligently studied, and compared with the results of my previous studies, experience and reflections. And the results have been the founding of a system which, however defective it may as yet appear, is not founded on bottomless cosmopolitanism, but on the nature of things, on the lessons of history, and on the requirements of the nations."²

From these two instances we are in a position to say that the German historical school adopted the same method of scientific research as Jones pursued.

The principle that economic doctrines, true for any given epoch, are relative to the particular circumstances of that epoch and cannot be regarded as permanent or true for all time, is an essential element in the teaching of the historical school as well as in modern institutional econom-

¹ *Literary Remains*, p. 340.

² List: *The National System of Political Economy. Preface.*

ics. Economic doctrine concerning the actual world we live in is built up as a branch of empirical knowledge; it has no universality.¹ Our positive knowledge of economic conditions and changes is merely empirical and we may be misled if we constantly formulate the results as laws which hold generally.

Jones put much emphasis upon the elements of time and place, as well as stressing analytical investigation and practical application.

"A teacher of political economy has first to examine the phenomena presented by the conditions of different nations, that he may ground his principles securely. This is the analytical or investigating portion of his labor. Then he must be prepared to show how these principles may be used to account for the exact condition of any particular class in any given nation. This is part of the practical application of his subject to human affairs. If he neglects either branch of his labor, he performs his office imperfectly."²

On these grounds Jones insisted on the limited applicability of the Ricardian theory of rent as regards both place and time. A theory based on the assumption of individual ownership and freedom of competition could not, he pointed out, be applied to Oriental states of society in which joint ownership is the rule and rents are regulated by custom, nor even to those instances in which land is held on a customary tenure, as in the *métayer* system. Similarly, as regards limitations of time, he showed that the Ricardian law of rent could not hold good in a condition of affairs such as existed in medieval economy, when land was to a great extent held in common and the relations between the owners and the tillers of the soil were not controlled by free competition.

¹ Cunningham: "The Relativity of Economic Doctrine," *Economic Journal*, March, 1892.

² *Literary Remains*, p. 575.

"We must get comprehensive views of facts, that we may arrive at principles which are truly comprehensive," said Jones. "If we take a different method, if we snatch at general principles, and content ourselves with confined observations, two things will happen to us: first, what we call general principles will often be found to have no generality; we shall set out with declaring propositions to be universally true which at every step of our further progress we shall be obliged to confess are frequently false; and, secondly, we shall miss a great mass of useful knowledge."¹

The sphere of economics has changed and is changing as history is made, and since the motive forces acting upon human nature are not merely mechanical powers, they too have assumed different modifications at different times. It is doubtless true that our older economists often had an insufficient appreciation of the historical variations in economic conditions, and in particular did not adequately recognize the great extent to which competition was limited or repressed by law or custom in states of society economically less advanced than industrialized nations. We should fully recognize that the elaborate and careful study of economic facts in all departments, which the historical school has encouraged and carried out, is an indispensable aid to the development of general economic theory.² The followers of the historical method will not, however, be quick to cast all responsibility upon any economic insti-

¹ *Literary Remains*, p. 569.

² Sidgwick: An Address delivered in 1885.

In the *Science Economic Discussion*, 1886, Professor Seligman submitted a paper on the Continuity of Economic Thought, in which considering, first, the relativity of economic doctrines, second, the continuity of political economy, he reached two conclusions. Under the first conception he denounces the absolutism of the Classical School and under the second he depicts the historical or evolutionary approach of economic science.

tution, as they recognize that there have been few institutions that have been wholesome or harmful for all peoples or in all stages of civilization.

But inferences based on historical research, as distinguished from observation of the present order of events, labor under special disadvantages. Often there is more or less uncertainty concerning the facts themselves. On this point Jones himself frankly admitted that history has suffered to drop from her pages, perhaps has never recorded there, much of the information which would now be most precious to us.¹ An imperfect, incomplete record may be even worse than no information at all, so far as affording a basis for theoretical conclusions is concerned. We see the past, as it were, through a mist, and we cannot cross-examine its facts as we often can the facts of the present time.² These are the defects of the historical method in the narrow sense.

Statistics has been mentioned as the second source of knowledge. Jones not only was an advocate of the statistical method, but he suggested in 1833 that a statistical society be organized.

“Statistics, unlike history, presents all the facts essential to our reasonings in inexhaustible detail and abundance, but leaves us to speculate upon causes, and to guess at effects as we can. It is not pleasant to reflect how little has been done in England to systematize statistical inquiries, or to preserve and spread the information which statistics can give us. In this respect, as in many others, the cultivators of physical science have set a brilliant and useful example. There is hardly a department in their province which has not the advantage of being pursued by societies of men animated by a common object and collecting and

¹ *Literary Remains*, p. 570.

² J. N. Keynes: *Scope and Method of Political Economy*, p. 326.

recording facts under the guidance of philosophical views. We may hope surely that mankind and their concerns will soon attract interest enough to receive similar attention; and that a statistical society will be added to the number of those which are advancing the scientific knowledge of England.”¹

We find in the Jubilee volume, 1885 of the Statistical Society of London the following interesting statement which reveals Jones as a member of the permanent Committee of the Statistical Section of the British Association for the Advancement of Sciences:

“In 1832 a Statistical section was added to the British Association for the Advancement of Sciences. In the following year this Association then in its the third year of its existence, met at Cambridge and appointed a permanent committee of the section to regulate its affairs. The chairman of this committee of the section was Mr. Babbage, the secretary Mr. D. W. Bethune, and among the members were Hallan, the historian, Professors Malthus, Simpson and the Rev. Richard Jones, all distinguished economists, the late Sir John Lubbock and M. Incelet.” (Jubilee Volume of the Statistical Society of London, 1885, p. 15).

He further observed that if a spirit of statistical inquiry were fully spread over the world, if the same phenomena were noted simultaneously in all the more civilized countries, with a common perception of their bearing on political questions, no very long period would elapse before such observations could afford the grounds for safe and useful conclusions.² By means of this statistical method, then, the historical study of economic institutions and the comparative investigation of the different economic struc-

¹ *Literary Remains*, p. 571.

² *Literary Remains*, p. 181.

tures of nations will become easy and more useful. The formal incorporation of economic science and statistics has great advantages. It tends to correct the errors to which economists and statisticians are especially prone.¹ If the latter have been apt to think only of facts, it has been the besetting sin of the former to neglect facts altogether; if statisticians have often been content to collect phenomena without heed to their laws, economists more often still have jumped to the laws without heed to the phenomena; if statisticians have confined themselves chiefly to the region of dry figures and numerical tables, economists have dwelt chiefly in regions of assumptions, conjecture and provincial generalizations.

It is interesting to note that economists express today the same opinion of the importance of statistics as Jones did a century ago. Since the days of Jevons it has been more clearly seen that the deductive science of economics must be verified and rendered useful by the purely empirical science of statistics.² Political economy, being concerned pre-eminently with quantities, and with groups as distinguished from individuals, has a special tendency to become on its inductive side statistical, just as on its deductive side it tends to become mathematical.³ Statistics is of paramount importance in the descriptive function of economic inquiries. For example, statistics of production, wages and prices are essential elements in any complete description of the social condition of a community. The functions of statistics in economic theory are, first, to suggest empirical laws which may not be capable of subsequent deductive explanation; and second, to supplement deductive reasoning by checking its results, and submitting them to the test of experience.

¹ Leslie: "Economic Science and Statistics," *The Athenaeum*, 1873.

² Jevons: *Theory of Political Economy*, Introduction, p. 22.

³ J. N. Keynes: *Scope and Method of Political Economy*, p. 341.

Furthermore, statistics plays a still more important part in the applications of economic science to the elucidation and interpretation of particular concrete phenomena. Jones had some insight into this idea, when he predicted the recent development of quantitative and statistical economics. He suggested, for instance, that the population problem be studied by means of statistical inquiries.

In statistics, the method of classification plays an important role. Classification is a contrivance for the best possible ordering of ideas of objects in our minds, for causing the ideas to accompany or succeed one another in such a way as shall give us the greatest command over the knowledge already acquired, and lead most directly to the acquisition of more knowledge.¹ We can classify things correctly only in so far as we can see them in their true relations, and to see them in their true relations is nothing less than to know their true nature. The value of classification is co-extensive with the value of science and general reasoning. Science can extend only so far as the power of accurate classification extends.²

Jones' economic doctrines are based upon his threefold classification. He always employed this method of approach in his study on the theory of rent, the principles of wages, the function of capital, and in his discussion of current problems, such as the commutation of the tithes.³

Jones was, no doubt, one of the most important writers who studied economic institutions. His concept of human nature was based upon habit and culture. He studied human behavior as a phenomenon of the mass, and his attention was focussed upon the role played in human be-

¹ J. S. Mill: *Logic*, Vol. II, p. 258.

² Jevons: *Principles of Science*, Vol. II, p. 345.

³ For details, see Appendix A.

havior by institutional factors. He knew something of economic history and contemporary conditions outside of England, and always kept in view the elements of time and place in discussing economic problems. He was not searching for levels of equilibrium, but was interested in the cumulative changes of economic institutions. He encouraged the use of the statistical method for the advancement of knowledge and information. Above all, he took a broader view of economics in its relationship to other sciences than was common in his time.

CHAPTER II.

LIFE AND GENERAL BACKGROUND

I. *Social Background — Contemporary Thought.*

IF we are to appreciate the doctrines of an individual writer we must not lose sight of the social conditions of his times. Jones' economic theory may, perhaps, seem commonplace today, but, at the time when he wrote, it was unusual to find such ideas as he expressed. The class which was rising to power in the two generations following Ricardo's death accepted his (Ricardo's) political economy as established truth, a safe guide to public policy. Never, in fact, has Classical political economy enjoyed such popular favor and intellectual prestige; never has it exercised such practical authority as in the two decades that followed Ricardo.¹ Miss Martineau's *Illustration of Political Economy* popularized in a fresh form the Ricardian doctrines. Within a few years the circulation of her book reached ten thousand copies. Cabinet ministers, newspaper editors and politicians appear to have vied for the privilege of having their proposals supported by her stories. When the political Economy Club was organized, the principles of political economy were assumed to be already discovered; the members bound themselves to encourage their diffusion; and their duty was to watch carefully that no doctrines hostile to Ricardo's views were propagated.² The period from 1821 to 1845 may be described as the age of principles or dogma. For example, as soon as Jones published his book on rent, McCulloch, the most faithful disciple of Ricardo, wrote a severe criticism of it in the Edinburgh

¹ Mitchell, *The Prospect of Economics*, in *The Trend of Economics*, edited by Tugwell, p. 11.

² Ashley: *Address to the British Association, Economic Section*, Leicester, 1907.

Review,¹ denouncing Jones as a heretic. The members of the Political Economy Club were missionaries, trying to limit the influence of hurtful publications,² and the influence of the Ricardian School was dominant. That political economy was considered an established science is evident from the following statement made by Torrens in 1831:

“In the progress of the human mind, a period of controversy amongst the cultivators of any branch of science must necessarily precede the period of unanimity. With respect to political economy, the period of controversy is passing away, and that of unanimity rapidly approaching. Twenty years hence there will scarcely exist a doubt respecting any of its fundamental principles.”³

DeQuincey admired Ricardo as a great revealer of truth. James Mill exhibited the system of Ricardo with thorough-going rigor. J. R. McCulloch criticized current economic legislation in the *Edinburgh Review* from the point of view of the Ricardian doctrine.

A sort of *Ricardian myth* existed in economic circles for some time. It cannot be doubted that the exaggerated estimate of his merits arose in part from a sense of the support his system gave to the manufacturers and other capitalists in their growing antagonism to the old aristocracy of landowners.⁴ The age was one of revolution in industrial affairs; the population increased, manufactures

¹ This will be discussed further in Chapter VIII.

² Although the subject of conversation at each meeting of the political Economy Club was to cover a doubt or question on some topic of political economy as revealed in the records of that club, yet there was the over-shadowing influence of three doctrines affecting almost all questions: those of Ricardo as to value and labor, and as to rent, and that of Malthus as to population.

³ Torrens: *Essays on the Production of Wealth*, p. 13.

⁴ Ingram: *A History of Political Economy*, p. 133

developed and prosperity in agriculture was maintained through the operation of the Corn Laws. Such was the condition of the English industrial world when Ricardo published his *Principles of Political Economy and Taxation* in 1817. He appeared to arrange the seeming anarchy of affairs in intelligible order by means of so precise a theory of the action of free competition that the success of the book was immediate and complete.

Ricardo regarded man as a constant quantity and supposed that the world was made up of men who were influenced by environment only. All city dwellers hoped to obtain the cheap food and high profits which the Ricardian system promised, while the business men of England were already inclined to think that the influence of custom and sentiment in business affairs was harmful and were hence prepared to welcome a theory of free enterprise.

The growth of philosophical radicalism also influenced the tone of the rising school of English economists at the beginning of the nineteenth century. The philosophical radicals held that the whole theory of political government could be deduced from a few simple axioms of human nature. According to Bentham, the leader of the group, the problem of what ought to be is very easy to propound, but the account of what is, is hard to deal with. Thus many economists followed Bentham in discussing what ought to be rather than what is. The account of what is, is observation; the problem of what ought to be is speculation, and speculation leads to abstract study.

The Utilitarian philosophy re-enforced the dominant power of the Classical School of political economy. Both combined to stress the deliberate calculation of means to an end in human nature, as opposed to action from habit or instinct, to give a new lease of life to individualism, and to regard the individual judgment on matters of an economic character as the best. They had three preconceptions; the physical world is constant (as in the case of the law of diminishing returns); social organization is stable, with-

out much change in the future; and human nature is a calculating machine. These three ideas permeated the current thought thoroughly. Orthodox political economy remained in 1848 substantially what Ricardo had made in 1817.

Into such a philosophical milieu came Richard Jones, who had been cultivating an unorthodox type of economics, a type of theory that deals with a range of problems undreamt of in the philosophy of free competition. He was interested in the cumulative changes of institutions rather than in abstract theory. In the midst of the growing success of the Ricardian group, he protested that its conclusions, especially those concerning rent, applied only to a very recent period and a very small area.¹ He urged with great seriousness the need for historical investigation, but his plea fell on deaf ears because the world was not ready to receive his doctrines. In order to understand him thoroughly we must first trace his intellectual background and the development of his economic theories.

II. *Personal Background and Friendships.*

Richard Jones, the son of a solicitor at Tunbridge Wells, was born in 1790. His early life has not been adequately treated in any biographical records,² and we do not know

¹ *Dictionary of Political Economy*, Vol. 11, p. 310.

² Some of the biographical records may be mentioned as follows:

Men of the Reign, by T. H. Ward.

Gentlemen's Magazine, March, 1855, p. 360.

Annual Register, vol. 97, 1855, p. 247.

Encyclopædia Britannica, vol. 15, p. 500, 13th edition.

Dictionary of National Biography, vol. 30, p. 157.

W. Whewell, edited by Todhunter.

Dictionary of Political Economy, edited by Palgrave and Higgs.

Peasant Rent, Preface, edited by Ashley.

Literary Remains, Preface, edited by Whewell.

Memorials of old Haileybury College.

Political Economy Club, 1821-1920, edited by Higgs, London.

much about his early education. He began his college life at Caius, Cambridge, in October, 1812, and had originally been intended for the law because of his mental acuteness and his natural eloquence.¹ But his health was unequal to such that career and the change of plans which resulted in his entering the University of Cambridge as a student of literature and philosophy made him acquainted with many of the friends whom he most valued, and who continued on the most intimate terms with him during the whole of his life.

In tracing the intellectual background of Jones' inductive approach to economic problems, we find it was developed at the time of his Cambridge undergraduateship and nourished by the sympathy of some of his college companions. Jones himself was always prompt in maintaining that all the best part of his mental habits had been acquired at college.² He possessed good humor and good spirits, and he naturally became a favorite with many circles in the university, especially the most intellectual.³ When he entered the Caius College, there was at Trinity College an analytical society organized by J. Herschel, G. Peacock and C. Babbage. They had begun to hold "Sunday Morning Philosophical Breakfasts" in the year 1812, and Jones attended them. These university companionships influenced his mental development.

His most intimate friend was Dr. W. Whewell, who later edited Jones' *Literary Remains*. Both were interested in the inductive method. Jones took his B.A. in 1816 and

¹ The impression of a "full man" which Jones' writings conveys is confirmed by the genial picture of his personality which Miss Edgeworth gave in the memoirs (vol. 3, p. 55): "Such crowds of ideas as he poured forth, uttering them so rapidly as to keep one quite on the stretch not to miss any of the good things."

² *Literary Remains, Preface*, p. 20.

³ Such as the one composed of Herschel, E. Jacob, Alexander Darblay, Dr. Peacock, Mr. Babbage, Sir Edward Ryan, John Musgrave and T. Greenwood.

left the university to take holy orders and practice the ministry at various places in Sussex, a part of England for which he had a truly filial fondness.

Just as his intellectual background, especially the inductive method of thinking, was nourished by his college life, his economic theory had its foundation in the experience of those days when he resided in the rural district of Sussex. Just as social intercourse and intellectual friends helped him to his way of thinking, the natural scenery and sylvan beauty of Sussex must be counted as a kind of inspiration to him to become a keen observer of physical and social phenomena. Jones always maintained that the love of natural scenery lasts undiminished, and is superior to most other pleasures, hence he had decided to live in Sussex, which was notable for the variety of its interests.¹ The breezy South Downs, the bold Hill of Chanctonbury, the wide extending weald, the ruined castles and monasteries, eloquent of bygone ages, and the mighty waters of the ocean forever washing its shores all combine to make Sussex a land of enchantment for those who have the salt of the sea in their blood, who delight in the beauty of hill and woodland or who care to muse upon the intricate movements of those forces. Jones was engaged in ministerial duties in various rural parishes of Sussex. He was, beginning in 1822, for a course of years curate at Brasted, and among his parishioners Jones was regarded with great affection for his kindness to his flock. He married Charlotte Attree at Brighton in 1823.

He was also well known to his country neighbors as a most sagacious agriculturist and took great interest in agricultural problems. In Sussex the South Down breed of sheep has attained great fame, and the knowledge he had was by no means without its bearing upon his speculations in political economy. He meditated for many years on the subject and was led to large and novel views which he

¹ *Bygone Sussex*, p. 9.

hoped to develop and explain in the subsequent years of his life. In the vigor of his intellect and with his mind not yet drawn aside by the excitement of public life, he brought into shape his economic doctrines when he was at Brasted from 1822 onward. During the writing of his book on rent he was always encouraged by his intimate friend Whewell, who made many suggestions which guided him in his work, and who also helped him by securing assistance from the University Press toward the expenses of publication.

III. *His Theoretical and Practical Activities.*

The immediate success of the publication of his book on "Rent" in 1831 resulted in his being appointed professor of political economy at the then newly established King's College, London, in 1833. He delivered on the twenty-seventh of February, 1833, his introductory lecture in that institution. Mallet has given us a vivid picture of Jones' entry into professional life:

"The Rev. R. Jones, professor of political economy at King's College, gave his introductory lecture six weeks ago; about three hundred persons were present, and it was spoken of in the highest terms. He was requested to print it, with which request he injudiciously complied, for the lecture does not read so well as when delivered. The next lecture about sixty persons attended, of whom three or four only paid for a course. It was then determined that no persons should be admitted without subscribing; and the consequence was that last Wednesday, when the third lecture was to be delivered, Mr. Jones was alone in the room with another professor, and no lecture took place."¹

The reason for this lack of popularity, however, will be found in the fact that in King's College political economy

¹ *Political Economy Club*, edited by Higgs, p. 249.

was by no means a favored subject. The predecessor of Jones was Nassau Senior, who had been obliged to resign his chair of political economy because of his publication of a pamphlet recommending a reform of the Irish Church and a new appropriation of Irish tithes. When Jones was appointed to succeed Senior, the authorities of King's College wanted the word "political economy" dropped and "political philosophy" substituted, but Jones insisted that if the latter title were adopted he would feel himself at liberty to treat of political institutions, which so alarmed the conservatives, after their experience with Senior, that they gave way to him.

In 1835 he succeeded Malthus as professor of political economy and history at East India College at Haileybury. His appointment to that position was made by Lord Lansdowne through the recommendation of Miss Maria Edgeworth.¹ The atmosphere was entirely different in the East India College from that of King's. Jones was admired and respected by all his students, was generally regarded by them as the cleverest of all the professors and was, perhaps, the most popular.²

From the first moment he opened his mouth in the lecture room all the students knew that he would exact the most complete silence and attention, and would be intolerant of the slightest interruption. And, indeed, to do

¹ Miss Edgeworth mentioned this fact in her letter to P. Edgeworth in 1835, in which she said: "You have seen in the papers the death of our admirable friend Mr. Malthus. How well he loved you! His lectureship on political economy has been filled by a very able and deserving friend of mine, Mr. Jones, whose book on Rent you have just been reading, and whose book and self I had the pleasure of first introducing to Lord Lansdowne, under whose administration this appointment was made. (*The Life and Letters of Maria Edgeworth*, edited by A. J. C. Hare, vol. II, p. 616).

² He never asked questions, nor did he expect the students to make preparations beforehand. His only way of testing the progress of the students was by examining their note books once a month.

him full justice, it must be admitted that he was one of those persons who delivers his lectures so well that it is difficult not to listen to every word he utters. His old pupil, J. W. Sherer, painted a lively description of him as follows:

“Who can forget the wonderful struggling out of the gown and out of the great coat, and then into the gown again, and the rolling and roaring, and the coughing and the choking and all the other marvellous accompaniments which, grievous as they were, could not conceal the clear apprehension, the lucid and unencumbered arrangements of the subject, and the sterling sense and masculine judgment, which made the lectures so highly valuable and instructive. Those on political economy, however, were infinitely superior to the others in “history”; the latter, indeed, were not deficient in vivid sketches of character and able general remarks, but they were quite wanting in detail and completeness, and one may safely say that if a student had derived his only knowledge of Indian history from Jones’ lectures, he might have passed a good examination, and yet have known exceedingly little about the subject.”¹

Jones was not only an effective and attractive lecturer, but also was one of the well-known talkers of the day, especially as an after-dinner speaker. He would often sit perfectly silent and apparently in a state of great mental depression during the whole of dinner, but by slow degrees his imagination would be stirred into activity by more than one glass of the best wine which the college cellar could produce. Unhappily for his brother professors his conversation — however clever and amusing — was interlarded with stories and anecdotes which, quite unconsciously, he repeated over and over again. The stories all hung to-

¹ *Memorials of Old Haileybury College*, p. 173.

gether, as it were, in strings, and his brother professors were so familiar with the sequence of each series, that when one story ended they all knew what would come next, and had to resign themselves to the inevitable with a composure and an exchange of smiles which, no doubt, Jones mistook for interested appreciation. Jones' clothes and waistcoat were generally well splashed with gravy spots after dinner; he was remarked by people to "carry his last week's bill of fare on his waistcoat."

The vivid personality of Jones would be incompletely portrayed without some sidelights depicting his activities as a preacher. In this role he was certainly peculiar and quite unique. His sermons never lasted more than fifteen minutes. The following lively description of him, contributed by Sherer, touches on this point:

"The pulpit in the Chapel at Haileybury was in front of the altar, and stood facing the congregation, with its back to the communion rail. It had to be ascended with some agility, from behind, and the appearing of the minister was rather like that of the figure of those toy-boxes, whose lid you open and whose inmate starts at once into considerable stature. Oh! who can depict the appearing of Jones! First, an amazing rumbling of stools over which he invariably fell; then a panting for breath, a groaning and a muttering; and lastly, with a start, the elevation, in the sight of all men, of a huge torso, surmounted by a colossal red face, incarnadined beyond its wont by recent exertion, and this, again, wreathed with a little brown wig, somewhat disarranged by the troubles of the ascent. The temper, too, was a little exasperated by the inconvenience of the rostrum; and when, after a good deal of rocking and diving after spectacles, which would fall off the cushion, we were bid to prayers, it was with a voice such as a zealous sea captain would use in a storm to an inattentive

sailor. Then followed a sermon, the chief peculiarity in the delivery of which consisted in this, that as soon as the preacher got hot and uncomfortable, the discourse was abruptly brought to a close, without any reference to its completeness or otherwise."¹

Any sketch of Jones would be lifeless and insipid, unless it were boldly colored with port wine, but it must not therefore be supposed that he was incapacitated by his habits for steady application. During his tenure of the Haileybury Professorship he was appointed Tithe Commissioner (in 1836). Every morning, except on his lecture days, his carriage took him to the station of the Great Eastern Railway at Bronbourne. Regularly at the Shore-ditch Terminus his portly figure might be seen emerging from the train at a particular hour to enter a cab and be conveyed to his office, where he was very popular among the clerks and other officials.

Jones' administrative ability was shown during the period of commutation of tithes. In the carrying out of this scheme Jones had a large share in reconciling the clerical body to the measure. This was no easy task, for the bill commuting existing tithes on certain principles of valuation deprived the clergy of all prospective increase in the value of their tithes arising from an increase in the produce of the land. Jones' influence in the matter was due to the fact that when he was professor at King's College he was brought into contact with the Archbishop of Canterbury (Howley), the Bishop of London (Blomfield) and other dignitaries of the Church, and thus had the means of knowing their opinions on this question. The Act of 1836 entrusted the commissioners with the administration of a commutation, voluntary for two years and afterwards compulsory. They proceeded immediately to their task, and the success of the measure in practice must be regarded

¹ *Memorials of Old Haileybury College*, p. 180.

as a notable proof of the wisdom with which it was conceived, and the fairness with which it was carried into effect. The great bulk of the commutation was effected in a very short time. It was ascribed by eminent persons in a great degree to Jones' energy, promptness and clearness of view. A report was annually submitted by the Commissioners to the Home Secretary on the progress achieved in their task. Jones, who wrote these reports at first, made a point of confining them within the limits of a single page. The forms and the instructions for assistant commissioners and other subordinate officers were drawn up mainly by him. He was chiefly concerned in obtaining as a part of the machinery of the commutation maps of every parish, showing the parcels of land on which tithes were apportioned, and these maps, sanctioned by the seal of the commissioners, became legal authority for parochial and other assessments.

In 1851 the tithe commission ceased to exist separately. It was merged in a Copyhold Commission, of which Richard Jones was not a member. In leaving his office, he drew up a memorandum respecting the work connected with the tithe commission and that still remaining to be done, which he left for the instruction of his successors.¹ Jones was then made Secretary of the Capitalar Commission, and afterwards one of the Charity Commission for England and Wales. His executive powers in public service were beyond doubt admirable and excellent.

Because he removed from speculative to practical economy he did not publish his lectures in a lasting form. His public service and the fascination of society absorbed

¹ In the annual report of 1851 Jones expressed the opinion that the powers connected with tithes and rent-charges must continue some time after the expiration of the present Tithe Commission; of these powers some must be permanent, some temporary; the final consummation of the commutation must be an act declaring tithes, after a reasonable period, to have ceased to exist, and forbidding courts of justice to entertain claims for them.

his time. Thus he never effected what his friends had anticipated, and what he might have accomplished by a greater concentration of his powers. He died in the College at Haileybury in 1855.¹ Four years later his friend Whewell collected his published and unpublished lectures and occasional papers and published them in *Literary Remains*.²

¹"On the 26th day of January, 1855, occurred the death of Prof. Jones. He was not very ill, and was not more than 65 years of age, but it was generally believed that he had tried his naturally vigorous constitution somewhat imprudently. . . . Both St. John Herschel and Dr. Whewell were present at his funeral. The interment took place at the village of Amwell about two miles distance from the college." (*Memorials of old Haileybury College*, p. 125).

²A reference to the publications of Jones may be made as follows: *An Essay on the Distribution of Wealth, and on the Sources of Taxation*, 1831; *An Introductory Lecture on Political Economy*, delivered at King's College, with a *Syllabus of a Course of Lectures on the Wages of Labor*, 1833; *A few Remarks on the Proposed Commutation of Tithes, with Suggestions of some Additional Facilities*, 1833; *Remarks on the Manner in Which Tithes Should be Assessed to the Poor's Rate under the Existing Law*, 1838; *A Letter to Sir Robert Peel*, 1840; and *Text-Books of Lectures on the Political Economy of Nations, delivered at the East India College, Haileybury*, 1852.

CHAPTER III

JONES' SYSTEM OF POLITICAL ECONOMY

I. *General Characteristics of his Theoretical Approach.*

THE distinctive feature of Jones' theoretical approach to political economy is its recognition of development in economic life, with the consequent emphasis on the dynamic as distinguished from the purely static element in economic organization. Political economy is a science of organic phenomena. Human nature and social institutions are not fixed products, but are still undergoing incessant modification by those modes of daily activity which varying circumstances involve. Different communities of different countries and the same community at different times will exhibit a great variety of economic processes. The economic structure of any given community, the direction taken by national energies, the occupations of different classes, and of sexes, the constituents and the partition of movable and immovable property, the progressive, stationary, or regressive condition in respect to productive power, and the quantity and quality of the necessities, comforts and luxuries of life are the results of forces political, moral, and intellectual as well as industrial. The adoption of the historical method necessarily brings economics into a close relation to these other departments of study. Jones' work is teeming with such ideas.

Jones, besides being an institutional economist, was interested in the treatment of economic welfare. He put less stress upon wealth and more upon welfare. By welfare was meant not merely an abundant supply of serviceable

goods, but also a satisfactory working life filled with interesting activities.

“We see then that the laws which regulate the production and distribution of wealth thus viewed, have abundance of human interest and philosophical dignity. We view wealth no longer as a mass of dead matter: nor do we treat its principal divisions, rent, wages, or profits, merely as data in arithmetical calculations; but, tracing the shifting forms of society so far as they are influenced by changing habits of production or modes of distribution, we survey a nation’s riches always in close connection with the progress and fortunes of the human race; with alterations in the political element of nations, and in the capacities and opportunities of all orders of the people for improvement independence and happiness.”¹

He also maintained with Adam Smith that the degradation and abject poverty of the lower classes can never be found in combination with growing national wealth and political strength. In his summary of peasant rents he declared that the actual state of penury and misery which makes the cultivators helpless and keeps them destitute is the great obstacle to the commencement of national improvements, the heavy weight which keeps stationary the wealth and population and civilization of a very large part of the earth.

Jones set forth the doctrine of economic harmony which was later adopted by Bastiat in France and Carey in America. His doctrine of economic harmony was based upon his optimistic views concerning economic problems:

“When we have advanced so far with our examination of phenomena which regulate or follow the distribution of the annual produce into rent, wages and profits, we shall at least have shown that the

¹ *Literary Remains*, p. 561.

deep gloom which was thought to overhang much of the subject was an illusion; that no causes of inevitable decay haunt the fortunes of any class during the progressive development of the resources of a country; that the interests of no portion of society are ever permanently in opposition to those of any other; and that there is nothing either in the physical constitution of man or in that of the earth which he inhabits, that need enfeeble the hopes and exertions of those to whom the high, and, if properly understood, cheerful and animating task is committed of laboring through wise laws and honest governments, to secure the permanent harmony and common prosperity of all classes of society."¹

Throughout the whole analysis he emphasized three important things: firstly, he stated that agricultural improvements make productive power keep pace with the advance of civilization; secondly he claimed that there is no conflict of economic interest between the landlord and the capitalist, contrary to the belief held by the Ricardian School; thirdly, he advocated a theory of population which was more objective and scientific than that which was held by Malthus, and his doctrine of secondary wants proposed to clear up the dismal atmosphere of the Malthusian system of political economy.

II. *Jones' Theory of Distribution*

The struggle over the corn laws made the distribution of income the chief issue in English economic policy during Jones' lifetime. The practical problem was whether the government should maintain the high incomes of the farmers and landlords, or whether the import duties should be reduced to increase the incomes of manufacturers and merchants. Similarly, economists of the day made distribution

¹ *Distribution of Wealth, Preface, p. 35.*

the center of economic theory. The theoretical question was: what determines the proportions in which the national dividend is shared between landlords, capitalists, and laborers?¹

Jones' theory of distribution was very different from the current doctrine of his day. He treated the problem from an entirely new angle. His purpose in introducing the problem of distribution was not merely to determine the proportions in which the national dividend should be shared between different classes of the community, but chiefly to discover the existing differences in the productive powers of different nations from the standpoint of the various distributive institutions.

"Production must, of course, practically precede distribution: but, although some wealth must be produced before any can be distributed, lands and labor, adopted in the early stages of a people's progress, exercise an influence over the character and habits of communities which can be traced for ages; which in many cases is never effaced, and this influence must be understood and allowed for, before we can adequately explain existing differences in the productive powers and operations of different nations."²

While Karl Marx considered the productive processes as the important factor in molding society, Jones himself explained, on the contrary, the distributive processes as the essential elements in social conformation. "We may predict that, till different forms and modes of distributing the national revenue have superseded the old ones, all hope of rapid change in the character of their population, or in the power and resources of the community, will prove illusive."³

¹ Mitchell W. C: "The Prospects of Economics" in *The Trend of Economics*, edited by Tugwell, 1924.

² *Literary Remains*, p. 554.

³ *Literary Remains*, p. 555.

Jones also held that the labors of those who have treated of the principles which govern the distribution of wealth have as yet been rewarded by no such success as that which has crowned the efforts of those who have investigated the circumstances which influence the amount produced.¹ According to his view, the attempts to explain the laws of distribution have hitherto led to little besides contradictory opinions. Political economy has been distrusted. The facts on which its conclusions must be founded have been thought too variable and too capricious in their combinations to admit of their being accurately observed or truly analyzed, or, consequently, of their yielding any safe permanent general principles. Truth has been missed, because those who have been most prominent in the discussion of the distribution of wealth have confined the observations on which they founded their reasoning to the small portion of the earth's surface by which they were immediately surrounded, and have then proceeded at once to erect a superstructure of doctrines, either wholly false or limited in their application.² In this state of confusion in the concept of the theory of distribution, Jones took up the problem at issue with a very different plan and under the guidance of experience and wide observation.

Jones' *Distribution of Wealth*, consists of two parts. The first deals with peasants' rent, and the second with farmers' rent. These two parts together constitute Book I of his work. He intended to write four books on the distribution of wealth; however, the other three did not appear in book form but only in a mass of lecture notes left after his death. His system of political economy in the strict sense was incomplete. In order of discussion he took up "rent" first, because slight progress in this subject was sufficient to show that the greater part of the nations of the earth are still in the agricultural state, and because, in this state of

¹ *Distribution of Wealth, Preface, p. 5.*

² *Distribution of Wealth, Preface, p. 22.*

society, the relation between the proprietors of the soil and its occupiers determines the details of the conditions of the majority of the people, and the spirit and forms of their political institutions.¹ Next came the problem of wages. It is put in second instead of first place simply because in his opinion a clear perception of the causes which affect the amount of remuneration received by the majority of the laborers in the world can only be attained after a survey of the forms and conditions of the various rents they pay.² As to the theory of profit, Jones' major interest was in the accumulation of capital as a factor in production rather than in its distributive process. "In performing this task, I have not confined myself to those circumstances alone which affect the rate of profits as a point of equal or indeed superior importance."³ Lastly, in dealing with taxation, he discussed the problem of incidence and the principle of justice, and, above all, made the point that the state should share in the joint wealth of its subjects, without causing production to be checked or to decline.

Throughout the whole analysis of his theory of the distribution of wealth, Jones gave chief attention to the economic institutions of other nations than England. He did not attempt to discuss the theory of value, except that on occasion he did try to impugn the validity of Ricardo's so-called labor theory of value.⁴ He put great emphasis upon

¹ *Distribution of Wealth, Preface, p. 23.*

² *Distribution of Wealth, Preface, p. 24.*

³ *Distribution of Wealth, Preface, p. 26.*

⁴ "This theory it is not necessary for our present purpose to examine. I beg, however, in passing to be numbered among those who believe it defective, and who think that in comparing the exchangeable value of different commodities, other circumstances must be taken into consideration besides the quantity of labor bestowed directly or indirectly upon each." (*Distribution of Wealth, p. 206*).

the production of serviceable goods; his study of distribution was, in fact, a step toward the study of production.¹

III. Jones' Theory of Production.

In spite of the title he chose for his book, *The Distribution of Wealth*, Jones was much interested in the theory of production. Thus, in discussing different kinds of land tenure and of laborers he always compared the relative productive powers of different nations under different institutions. Similarly his treatment of capital, although originally approached from a distributional angle, consists in fact of a discussion of the importance of auxiliary capital as compared to circulating capital in the process of production. Behind his theory of distribution there is always a theory of production.

The productive power of nations, declares Jones, depends on two circumstances:² first, on the fertility or barrenness of the original sources of the wealth they produce; second, on the efficiency of the labor they apply in dealing with those sources, or in fashioning the commodities obtained from them. In the earliest stages of society, the quality of the soil affects the production of wealth, but in the later stages it affects it in a degree so small as to be inconsiderable. "In a majority of instances, the efficiency of the labor of nations is what determines their relative wealth, not differences in the fertility of their soil and waters."³ Jones was defending Adam Smith's system of political economy when he declared that political economists were well justified in confining that part of their science which relates to the production of wealth to the discovery of causes which

¹ Like most other writers of the historical school, Jones did not formulate any general principle of distribution.

² But neither of the two circumstances led to the discussion in a theory of production of the amount of per capita produce.

³ *Literary Remain*, p. 334.

affect the efficiency of labor, and have committed but an unimportant error in not dwelling on differences in the national fertility of countries.¹

Following in the footsteps of Adam Smith, he proceeded to discuss the efficiency of labor as one of the most important factors in the progress of national wealth. He set forth three causes of the efficiency of labor, namely, the continuity with which it is applied; the skill by which it is directed; and the power by which it is aided.² Moreover, he discussed the circumstances which regulate the amount of per capita produce. He claimed that the wealth of a whole population obviously depends not merely on the fertility of the industry or of that portion of it employed in production, but on the proportion which such productive labors bear to those factors which are not employed in producing wealth. "A nation, if three-fourths were soldiers or menial servants, would be poor, however fertile the labor of the other fourth might be."³ Jones also made a distinction between productive and non-productive labor, but he used these terms intelligently. He asserted that we should not commit the common error of supposing that

¹ The two following quotations show how much Jones appreciated Adam Smith's work on production:

"In the new path (production) Smith took the lead; and nothing which has been done since his time in this direction will bear a comparison with the results of his labors." (*Distribution of Wealth, Preface*, p. 4).

"On the last branch of the subject (production) much knowledge has been accumulated, and principles have been established important both for theoretical and practical purposes, however difficult the application of them to particular circumstances may sometimes be. These constitute a body of political truths, in the solidity and permanence of which a majority of the enlightened and reflecting part of mankind may be said to have acquiesced . . ." (*Distribution of Wealth, Preface*, p. 5).

² All these causes are conditioned by the employment of capital, which will be discussed in the next chapter.

³ *Literary Remains*, p. 346.

that portion of the community which is not so employed is unproductive of anything useful, or that the epithet "unproductive" is degrading.

In comparing the efficiency of productive labor in different nations, he made a distinction between motive forces and mechanical advantages. He said:

"The distinction between the increase of contrivances and means to apply the same motive forces with greater mechanical advantage, becomes important when we are comparing the efficiency of labor in different nations. The relative number of horses in France and England will give us no information as to the productive powers of the two nations, as far as those powers are aided by horses, unless we know the relative merits of the implements which determine with what mechanical advantage a horse's power is applied in agriculture, and indeed in various other occupations of the two countries.¹

No contemporary writers paid so much attention to the problem of technology as did Jones. He insisted that it is available technique which determines the degree to which man can conquer and exploit nature and adapt it to its use, an achievement which produces material culture in its dynamic setting. The progress of economic science and institutions is directly related to the development of technology, inasmuch as our economic life is the product of the application of the existing technique to the problems of the exploitation of nature. Hence, in the discussion of production no one can neglect the problem of technology.

Jones employed the term "production" in a broad sense. An article is not considered by him to be completely produced until it is placed in the hands of the person who is

¹This statement of Jones was intended to demonstrate a fallacy on the part of M. Dupin, who considered the motive force alone in comparing the respective productive powers of England and France.

to consume it. Thus, tea designed for English consumption is not said to be produced until it has been conveyed from China, through the mediation of different individuals and through the instrumentality of auxiliary capital in various shapes, to the English purchaser who means to consume it.¹ This kind of treatment, which includes the exchange phenomena in the process of production, was not common in his time.² According to Jones, production is not necessarily the production of material goods; its criterion is in this sense the creation of new utility. When an activity brings about an addition to the existing amount of utility, we have an act of production.

Jones emphasized the importance of the close relationship between the economic and social organization of nations and their powers of production. He first sketched out a standard of the continuity of labor and of technical knowledge and mechanical facilities by which to judge the perfection of productive powers of nations. Then he discussed the political, social, moral and intellectual changes which accompany changes in the economic organization of communities. He points out that the explanation of these influences is most distinctly a part of the proper and peculiar task of the political economists. Economic science can never be successfully pursued if such subjects be wholly eschewed by its promoters. He emphasized the economic habits of nations as an important factor in the subject of national wealth. "Such an analysis of the economic habits of the various divisions of the human race must obviously have its interest and use in whatever mode we may think it best to approach a knowledge of systems of abstract truth on the subject of national wealth."³ But he further

¹ *Literary Remains*, p. 192.

² English writers subsequent to James Mill have generally been inclined to follow Mill's example by keeping a consideration of exchange out of their treatment of production.

³ *Literary Remains*, p. 340.

remarked that as communities change their powers of production, they necessarily change their habits too. During this change or progress, all the different classes of the community find that they are connected with other classes in new relationships, that they are assuming new positions, and are surrounded by new moral and social dangers and new conditions of social and political excellence. Jones always kept in mind his belief in the cumulative changes of institutions in dealing with the subject of production.

IV. *Other Features of his System of Political Economy.*

In spite of the fact that Jones decried all attempts to frame accurate definitions, he was very fond of coining new terms.¹ In addition to the terms "Balance of Bargain" and "National Anatomy," Jones was also the first to use the term "dismal system" in reference to political economy, which was later adopted by Carlyle, who slightly changed it to "dismal science." Jones said: "The perception of this fact is of itself sufficient to inspire distrust in those dismal systems which teach that the whole human race is under the resistless domain of an impulse, forcing ever its aggregate numbers forward to the extreme limit of the subsistence they can produce."²

Jones also formulated a theory of the economic interpretation of history.

"Those indeed who value what is called political economy chiefly because it leads to an insight into

¹ "If any reader, during this inquiry, is really puzzled to know what we are observing together, I shall be very sorry; but I am quite sure that I should do him no real service by presenting him in the outset with a definition to reason from." (*Distribution of Wealth, Preface*, p. 47).

Attempts to give definitions are regarded by Jones as throwing dust in the eyes of the student, and as diverting his attention from more important points.

² *Distribution of Wealth, Preface*, p. 17.

the manner in which the physical circumstances which surround man on earth develop or sway his moral character, will feel interested on yet higher grounds in tracing the effect of a system, springing out of common necessity, which, for a long period in the growth of nations, binds the majority of their populations to the earth they till; a system which has continued for a series of ages to stamp its peculiar impress on the political, the intellectual, and moral features of a large portion of the human race."¹

And in one of his lectures he mentioned the economic interpretation of politics:

"The fact that in the political progress of nations there is an inseparable connection between increased freedom and increased responsibilities; that freedom, in short, is a blessing which, from the very constitution of men and society, none can long enjoy who do not deserve it, is a truth which, vaguely seen by others, shines out in all its evidence and detail to the political economist, who, tracing changes in the modes of producing and distributing wealth, observes step by step the alterations which take place in the connections, mutual independence and all the cementing influences that hold together those human materials of which states are composed"²

He also remarked that it is not our province to praise or blame this or that form of government, or code of laws, but to show in what cases the establishment of each is or is not possible, why institutions and laws which endure and flourish under one state of economic conformation wither and die away when transplanted to a place where society does not present the proper materials to give them life and

¹ *Distribution of Wealth*, p. 66.

² *Literary Remains*, p. 593.

support. "Our subject then is, to a great extent, the mother science on which the philosophy of constitutional legislation rests, as does in a great measure the philosophy of jurisprudence. The law-giver who would frame codes and institutions without such knowledge as we present, may be an eloquent dreamer, but can never be a practical statesman."¹

In summary, Jones' system of political economy was very different from contemporary theories. His theory of distribution was not chiefly adapted to the purpose of studying the English problem of distribution alone; moreover, it was discussed from the productive point of view rather than from a distributive angle. He paid a great deal of attention to the economic institutions of the less advanced countries in order to support his arguments against the current economic doctrine of the Ricardian School. In his theory of production he emphasized the importance of technology as a factor in the productive power of nations. He also discussed the influence of economic habits and other social conditions upon production. As to the other features of his theoretical approach, he set forth his optimistic views in the theory of harmony and in his economic interpretation of history.

¹ *Literary Remains*, p. 576.

CHAPTER IV

THEORY OF RENT.

JONES' system of political economy, as we know, was based upon a study of economic institutions. But we must ask further: why was Jones interested in economic institutions of other nations than England, and how did he develop his theory of rent? In answering these two questions let us first review the current theory of the distribution of wealth at that time

According to the Ricardian doctrine of distribution of wealth, wages are fixed by the standard of living, which is supposed to be constant; profits will decrease as more and more labor is required to provide necessities for the mass of the working population; and the future belongs to the landlords, who will grow richer while the laborers and capitalists grow poorer. Both the theory of wages and the theory of profits are intimately related to the theory of rent, which is regarded as the cornerstone of the Classical theory of distribution and is based upon the assumption of free competition, holding that landlord and tenant respectively are actuated by competition alone; that the landlord endeavors to obtain the highest rent he can, and the tenant the lowest; that both are independent, intelligent agents, able and willing to carry their goods and services to the best markets; and that the tenant, knowing all the advantages of different soils, places and trades, is able and willing to move, taking with him his improvement to any soil or place or trade where he will be more favorably situated.¹ This system of landlord and tenant relationship is also assumed to be the universal form of tenure.

¹ Price: *A Short History of Political Economy in England*, p. 80.

Since the Classical theory of distribution of wealth was centered on the theory of rent, Jones naturally took it as the target at which to aim. For, if he could prove that the Ricardian theory of rent was incorrect, the whole Classical theory of distribution would collapse, since it would be built upon unsound foundations. Again, as the Ricardian theory of rent assumed the English type of land system to be the universal form of tenure, Jones' next step was to disprove this by investigating the various economic institutions of other nations than England. He chose his battlefield on the theory of rent and employed the study of economic institutions as a kind of weapon for attack. Thus the main object of Jones' theory of peasant rent is not only a study of the peasant rent itself; but also the collecting of economic material to support his arguments against the principle of universality and the doctrine of free competition of the Ricardian school.

Jones set forth the chief fallacies of the Ricardian doctrine of rent as being: (1) that increasing rents proceed always, not from additional wealth created on the soil, but from a transfer of wealth which existed before into the hands of the landlords; (2) that rents invariably proceed from the application of additional capital to agriculture with a diminished return; (3) that nothing that does not alter the relative fertility of the land cultivated can increase rents; (4) that improvements in agriculture do not increase rents; (5) that such improvements in agriculture lower rents, at least for a time, and lessen the means of the landlords; (6) that increasing rents bring no addition to the resources of a country; (7) that every rise in rents is a mere transfer of value, advantageous only to the landlords, and proportionately injurious to the consumers; and (8) that the interests of the landlords are always opposed to those of other classes in the community. We shall discuss these points later.

I. *Peasant Rent.*

Jones divided his theory of rent into two parts: peasant rent and farmer rent. He declines to give a definition of the term "rent," saying: "It has been mentioned to me, that I have given no regular definition of the word rent. The omission was not undesigned. On a subject like this, to attempt to draw conclusions from definitions is almost a sure step towards error."¹

In his study of peasant rent there are four points which command our attention. In the first place, the economic law of free competition has been entirely abandoned. Custom and institutional inquiry occupy a prominent place. Secondly, historical research, instead of deductive reasoning, has been greatly emphasized. Thirdly, the close relationship between wages and rent has been clearly brought out. Fourthly, the importance of capital, production, and distribution has been given a great deal of consideration.

Historically, peasant rent came first in order of appearance in the progress of nations; therefore it may be called primary rent. Economically, peasant rent is used in referring to an occupier of the ground who extracts his own wages from the earth. The origin of rent arises from the soil — the appropriation of soil, not the superiority of soil. The appropriation of soil is a political and human institution, while the superiority of soil belongs to the physical and natural phenomena.

"When men begin to unite in the form of an agricultural community, the political notion they seem constantly to adopt first is that of an exclusive right to the soil of the country they inhabit. Their circumstances, their prejudices, their idea of justice or of expediency, lead them, almost universally,

¹ *Distribution of Wealth, Preface.*

Jones did not like to confine his concept of rent to a definition. As a matter of fact, his theory of rent is that of an income from land.

to vest that right in their general government, and in persons deriving their rights from it.”¹

This fact is true of old nations as well as of new countries. Throughout Asia, the sovereigns had ever been in the possession of an exclusive title to the soil of their dominions. In China the emperor was regarded as the “Son of the Heaven”; he was the sole proprietor. In America, land was considered to be the property of the federal government. It could be occupied only with the government’s consent, in spots fixed upon and allotted to its people, and on condition of a previous money payment. But the United States Government does not convert the successive shoals of fresh applicants into a class of state tenantry; rather the formation of a race of proprietors takes place.

With the aid of experience and history Jones came to the conclusion that in the actual progress of human society rent has usually originated in the appropriation of the soil at a time when the bulk of the people must cultivate it on such terms as they can obtain, or starve. This necessity which compels them to pay a rent, he maintains, is wholly independent of any difference in the quality of the ground they occupy, and would not be removed were the soils all equal. Here Jones assumes that the form and amount of the rents they pay are determined by a direct contract. He is not discussing either differential or marginal rent.

He divided the peasant rents into four parts, namely: labor rents, métayer rents, ryot rents and cottier rents. It is worth noting that this type or classification of peasant rents was later adopted by J. S. Mill, who devoted four chapters to peasant proprietors immediately after his discussion of the significance of custom on the distribution of produce.

Labor rent may be called service rent; instead of money or produce payment the tenant must render a certain amount of labor to the proprietor. Jones’ survey of labor rent covered Eastern Europe from Russia to Ger-

¹ *Distribution of Wealth*, p. 5.

many.¹ He discussed labor rents in various countries with a dynamic view of changes always in mind. After having observed them in different countries, he gave a short summary of the most marked feature of rent common to the system in all its modifications. He started from particular facts and reached a general conclusion, employing the inductive method to advantage. His criticisms of labor rents from the economic point of view fall under four headings. Firstly, there is a strict connection between the wages of labor and the rent—the dependence of wages on rents. Where claims upon the serf's time are multiplied, his own ground must be imperfectly tilled, and thus the produce of his allotment must become less. Secondly, this kind of tenancy has a singular effect in degrading the industrious habits of the laborers. Thirdly, the lax superintendence, or the imperfect assistance, of the landed proprietors makes the inefficiency of agricultural labor still worse. And lastly, since the inefficiency of agricultural labor results in only a small amount of raw produce the non-agricultural classes maintained by it must be small.

¹ After describing the servile condition of the Russian serfs, Jones maintained that they were in a state of rapid change. Three days of labor for rent in each week had been the rule. The tenants on the royal domains appeared to be, on the whole, in a better condition than the serfs belonging to individuals. The number of royal serfs was estimated in 1782 as ten millions and a half. In Hungary, such peasants occupied about half the cultivated surface of the country in 1777, and all paid labor rents. Till the reign of Maria Theresa, their situation was quite similar to that of the Russian serfs. By her edict, the quantity of labor due to the proprietor of each session (about the size of 35 to 40 English acres) was fixed at 104 days per annum. Besides this the peasant had to give four fowls, twelve eggs and a pound and a half of butter. In Germany the situation was more hopeful for such workers. Some tenants, under the name of "Amtmen," were prosperous. There were others called "Leibeigeners" and "Meyers." The former paid a labor rent in kind and cultivated the land of the landlord for a certain number of days in the year. The latter had commuted their labor rent into a money or corn rent. The proprietor could not raise the rent nor could he refuse to renew the lease unless the heir was an idiot, or the rent in arrears.

In addition to the above-mentioned economic aspects of labor rent, Jones made three further remarks on its influence upon the political and social conditions of nations. The constant coercion and arbitrary authority of landlords over the tenants, the great power and influence of the aristocracy, and the want of a third estate in the political constitution of those countries all combined to produce a dark and melancholy picture of labor rent. He also suggested a tentative plan for their improvement, embracing the substitution of produce or money rent.

Métayer rent, the second kind of peasant rent, is present in a state of society more advanced than that of labor rent. The métayer is a peasant tenant who extracts his own wages and subsistence from the soil. He pays a produce rent to the owner of the land. The landlord, besides supplying him with the land, supplies him also with the stock by which he is assisted in his labor. The payment to the landlord may be considered, therefore, to consist of two distinct portions: one constitutes the profits of his stock, the other his rent. Jones' survey of métayer rent covers the western division of continental Europe as well as the nations of antiquity.¹

¹In tracing the métayer rents in Greece, Jones consulted many authorities, including Xenophon and Aristotle. He tried to discover the causes which destroyed the system of slave cultivation and those which brought the métayer rents into effect. As Greece became consolidated, first by the Macedonian, then by the Roman influence, the possessions of individual proprietors naturally extended themselves over a large space, and profitable management by slave agents must have become more and more impracticable. At last a tenant was introduced who, receiving from the landowner his land and stock, became responsible to him for a certain proportion, usually half, of the produce. The causes which introduced the métayer system in Rome were similar to those which ultimately established in Greece. On this topic Jones made a careful study of the agricultural literature written by Cato and Virgil. Before the introduction of the métayer system, Virgil recommended alternate husbandry. As the empire became larger and the size of estates increased, the superintendence of husbandry became inefficient and the lands were given up to the discretion of an inferior class of slaves. Columella was the only one who recommended that all such estates should be let.

The terms on which the French métayers held their farms differed much from age to age, but the normal rate was half, from which the original name of "Medéetarius" was derived. In Italy the métayers were fewer than in France. The number of acres which a métayer can manage must depend largely on the course of crops and mode of tillage.

In passing a critical judgment on métayer rent as a whole, Jones balanced its advantages and disadvantages from a productive viewpoint. So far as the advantages are concerned, the fact that the métayer is entrusted with the whole care of the cultivation is a circumstance which not only indicates his superior rank in society, but brings with it substantial improvement in his condition. Furthermore, since the landlord's rent depends upon the amount of the produce, he has an obvious interest in preventing the energy or the means of the tenant from being lessened by oppression.¹ As to the disadvantages, it is apparent that the divided interest which exists in the produce of cultivation mars almost every attempt at improvement.² The tenant is unwilling to listen to the suggestions of the landlord, the landlord is reluctant to entrust additional means to the hands of a prejudiced and usually very ignorant

¹ Charles Gide estimates highly the benefits of métayer rents. His argument may be briefly stated as follows:

In the first place the métayer system establishes a unity of interests between the owner and the métayer. They share alike in good and bad fortune; there is a real association between them, and it is one of the oldest and most admirable forms of profit sharing. Secondly, the métayer is never straitened by the mode of payment, because he pays in kind. He only gives the proprietor what the earth itself gives: nothing, if it yields nothing; much, if it yields generously. Thirdly, the métayer system, by customarily fixing the division of the product in halves, wards off completely the influence of competition on price and quenches all controversy as to the amount of the rent. It also assures a long duration of lease. Finally, intercourse is more intimate and even more familiar between the owner and the métayer. For all these reasons the métayer system may be considered as an element of social peace and as capable of solving in certain cases the agrarian question. (*Dictionary of Political Economy*, Vol. II, p. 738).

² Adam Smith mentioned this point in *The Wealth of Nations* (Book III, chapter 2). "It could never be the interest of this species of cultivation to lay out, in the further improvement of the land, any part of the little stock which they might save from their own share of the produce, because the lord, who laid out nothing, was to get one half of whatever it produced."

tenant. The tenant's dread of innovation is natural; he exists under a system of cultivation familiar to him; the failure of an experiment might leave him to starve. This dread makes it almost impossible to introduce improvements into the practice of the métayer system. While the tenant is frightened at a change of system, the landlord hangs back, with a hardly less mischievous reluctance, from the advances necessary to carry on efficiently any system whatever. When stock is to be advanced by one party and used by another for their common benefit it brings about some waste and carelessness in the receiving party and great jealousy and reluctance in the contributing party.¹

Having balanced the merits and demerits of the métayer rent, Jones pointed out its special features as a weapon with which to attack the Ricardian theory of rent, based upon differences in the fertility of soils. The existence of rent in the métayer system is in no degree dependent upon the existence of different qualities of soil or of different returns to the stock and labor employed. In any country the landlords, who, with small quantities of stock, have quantities of land sufficient to enable a body of peasant laborers to maintain themselves, would continue to derive a revenue as landowners through sharing the produce of the industry of those laborers, though all the lands in the country were perfectly equal in quality. He also touched upon the wage question in this connection. In countries employing the métayer system, the wages of the main body

¹ Arthur Young has discussed the disadvantages of the métayer system: "There is not one word to be said in favor of the Métayer System, and a thousand arguments that might be used against it. In this most miserable of all the modes of letting land, the defrauded landlord receives a contemptible rent; the farmer is in the lowest state of poverty; the land is miserably cultivated; and the nation suffers as severely as the parties themselves. Wherever this system prevails, it may be taken for granted that a useless and miserable population is found." (*Travels*, Vol. II, p. 153).

of the people depend upon the rent they pay. The division of the produce on which their wage depends is determined by their contracts with their landlords. In like manner the amount of rent in such countries is determined by the amount of wages.

Ryot rents are produce rents paid by a laborer gaining his own wages from the soil to the sovereign as its proprietor. These rents originate in the rights of the sovereign as the sole proprietor of the soil of his dominions.

The survey of ryot rents made by Jones was limited to Asiatic nations.¹ In judging the merits and defects of

¹ In India he found the cultivator was under a Zemindar, a functionary who took charge of collecting revenues in the Hindoo Government. The system was very disastrous, due to the corruption of the officials. In Persia, the tenant was obliged to pay one-fifth of the produce to the Shah. In Turkey, the rate of ryot rent differed according to the religion: one-seventh of the produce where the cultivator was a Turk, one-fifth where he was a Christian. Concerning the rent of the Chinese peasantry, Jones honestly confessed that he did not know enough to judge accurately of the peculiar modifications which this system of imperial ownership had received in that country. As we know, no one can be, according to Confucius' doctrine, the true landlord except the emperor. The Canon of Poetry says: "Under the wide Heaven all is the King's land." Since the government was the landowner, there was no distinction between a land tax and rent. Under the Tsing Tien System the center lot of each Tsing was cultivated in common by the adjoining landholders for the government as a tax. Land was distributed to eight families and rent was paid in terms of labor, not in produce, as Jones defined a ryot rent. In China, land was held by the government and granted in various sizes of tracts to successive generations of farmers in different dynasties. The farmer had a species of life tenure, from the time he started farming, at about thirty years of age, until sixty, when the land reverted to the government. After about twenty-five centuries of tenure of this general type private ownership came into existence. According to the historical facts, the earliest custom of paying rent was the métayer system. The cultivator retained one-half of the harvest and paid the other half to the landlord as rent. Such a practice has existed from the Chin Dynasty to the present day, since Shong Yang accomplished the destruction of the Tsing Tien System. In this case Jones was right in regarding it as a produce rent.

this kind of tenure he decided that there is nothing mischievous in the direct effect of ryot rents. They are usually moderate if collected peacefully and fairly and become a species of land tax, leaving the tenant a beneficial hereditary state. But their indirect effects are full of evils. They nurse and foster Asiatic despotism on the one hand, and reduce the citizens to the most helpless and prostrate condition on the other. In countries cultivated by ryots, the wages of the main body of the people are determined by the rent they pay, as is the case under all varieties of peasant rents. In like manner the amount of rent in such countries is determined by the amount of wages. The existence and progress of rents under this system or tenure is also in no degree dependent upon the existence of different qualities of soil, or different returns to the stock and labor employed on each.

Under the head of cottier rents, the fourth of the peasant rents, we may include all rents contracted to be paid in money by tenants extracting their own subsistence from the soil. The cottier tenant is bound by contract, whatever the quantity or value of produce may be, to pay a fixed sum of money to the proprietor. The reason that this system prevails in Ireland is simply because it is in the neighborhood of England, and the connection between the two countries enables the Irish peasant to obtain cash for a portion of his produce. The disadvantages of cottier rents may be ranged under three heads. The first of these is in connection with the question of population. Where labor or métayer rents prevail, some external causes of repression are found in the interference of the landlords for their own interests. Where ryot rents are established the external causes of repression are found in vices and mismanagement; where cottier rents exist, no such external causes are present and the unchecked disposition of the people leads to a multiplication which ends in wretchedness. The second disadvantage is the want of any influence of custom and prescription in keeping the terms of the contract between

the proprietors and their tenantry steady and fixed. The third disadvantage is the absence of such direct and obvious common interest between landlord and tenant as might secure to the cultivator assistance when in distress. The principal advantage which the cottier derives from this form of tenure is the great facility with which, when circumstances are favorable to him, he changes his condition in society altogether.

After a survey of these various forms of land systems, Jones was in an excellent position to declare that no one type of land tenure could be taken as the basis of a theory of rent. With the aid of history and economic data he boldly expressed his opinion that the income from land owed neither its origin nor its continuance to the existence of gradations in the qualities of soil; that with improvements in agriculture the amount of produce which formed the annual rents had steadily increased; that the landlords would find that they became wealthier as the labor of their peasant tenantry produced more from the earth, and that they became poorer as it produced less; that increasing produce converted into increased rents constituted a fresh creation of material riches;¹ and that under all forms of peasant tenures the interests of the landlords are indissolubly connected with those of their tenantry and of the community at large. All these points, supported by a study of various economic institutions of different nations, were used by Jones to attack the Ricardian theory of rent.

Here we must be careful to notice, however, as will be pointed out later, that Jones' concept of rent is different from Ricardo's. The former employs this term in the popular sense, while the latter uses it in the narrow sense of economic rent only.

¹ "Increased rents originating in the accumulation of capital on the land, and in increased production, are not only themselves a clear addition to the resources of a country, but necessarily indicate a yet greater addition in the hands of the producing classes; an addition which is substantially equivalent to the progressive enlargement of the territory itself." (*Distribution of Wealth*, p. 203).

II. *Farmer Rent*

In discussing peasant rents Jones was successful in pointing out the narrowness and lack of general applicability of the Ricardian theory of rent. He then proceeded to discuss "farmer rent" (the English type of farming). The origin of farmers' rent, he held, was due to the rise of the capitalist classes, who advanced from their own funds the wage of labor and took charge of the varied industry of a population. Rent, in such a case, necessarily consists merely of surplus profits, that is, of all that can be gained by employing a certain quantity of capital and labor upon the land instead of in any other occupation.¹

Before proceeding to discuss farmers' rent we must say a few words about the distinction between farmers' rent and peasant rent. In the first place, according to Jones, the origin of peasant rent is the appropriation of the soil, while that of farmers' rent is due to the rise of the capitalist class. In the second place, custom and contract play an important role in peasant rent, while competition is the essential factor in farmers' rent. Thirdly, in the development of economic stages the former is still in the barter economy, while the latter is in the money economy. Fourthly, as far as the distributive process is concerned, the former system is a kind of two-fold division of produce, while the latter is a three-fold division of produce. Fifthly,

¹ *Distribution of Wealth*, p. 177. He borrowed this idea of surplus profit from Adam Smith. "Rent is the produce which is over what is necessary to pay the farmer ordinary profit." *Wealth of Nations*, Book I, p. 145.

The terms "rent" and "surplus" have come to be used interchangeably. If a form of income appears to be a surplus, it is at once treated as a kind of rent; if it presents some of the peculiarities of rent it is forthwith christened surplus. If rent is regarded as characteristically a differential, all incomes that contain differentials from one point of view or another are called surplus. If surplus income is defined as residual, all residual incomes are termed rents. (See Johnson's *Rent in Modern Economic Theory*, p. 19).

the rent has a great influence on wages in the case of peasant rents, but this influence ceases in the case of farmers' rents. Sixthly, in the system of peasant rent the central figure is the landlord; in that of farmers' rent, the capitalist is the most prominent figure. Lastly, from the standpoint of national economy Jones put more emphasis on peasant rents than upon farmers' rent, claiming that peasant rents under their various forms are the most numerous and important, not only in deciding the economic relations of landlord and tenants, but also in influencing the political and social condition of the mass of the people.

At the outset Jones presents several problems in connection with farmers' rent. Here the capitalist class plays a prominent role, comparable, as we have already said to that of the landlord in peasant rent. The function of capital therefore is brought to the foreground and it actually occupies two-thirds of the Second Book of Jones' work, in a discussion of the ways of increasing rents. He attacks the question of differential returns, which was regarded by Ricardo as the sole explanation of the cause of rent. He also gives some indication of the real sources of increasing rents and brings out his theory of social harmony in contrast to Ricardo's theory of the class struggle.

Jones mentions three methods or causes of increasing farmers' rent which, he holds, consists merely of surplus profit: first, an increase of produce from the accumulation of larger quantities of capital in its cultivation; second, the more efficient application of capital already employed; third, a diminution of the share of the producing classes and a corresponding increase in the share of the landlord.¹ He insists upon the fact that the obvious cause of the actual rise of rent in England was not that the most costly portion of agricultural produce was obtained at greater cost, but simply that a larger amount of produce was obtained.

¹ These three methods of increasing farmers' rent had been discussed by Adam Smith: *Wealth of Nations*, Book I, chapter 2, p. 247.

As to the first method of increasing farmers' rent, by employing larger quantities of capital in its cultivation, Jones argues with Ricardo on the question of the relative fertility of soils and the law of diminishing returns. According to Ricardo rent is "that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." It is "always the difference between the produce obtained by the employment of two equal quantities of capital and labor," and "with every step in the progress of population, which shall oblige a country to have recourse to land of a worse quality, to enable it to raise its supply of food, rent, on all the more fertile land, will rise."¹ This Ricardian law of rent embraces two complementary phases: a resort to inferior soils and an extensive margin, and a law of diminishing returns leading to an intensive margin. Jones first takes up the law of diminishing returns and argues that the increasing amount of capital employed on the land of a developing country necessarily elevates rents on the better soils, and this quite independently of alterations either in the relative fertility of the soils cultivated or in the amount of produce obtained by the application of given quantities of capital to the inferior soils:

"Let A have been formerly cultivated with 100 £, yielding annually 114 £, 10 £ being the ordinary profits on stock: and B with 100£, yielding 115 £: and C with 100 £, yielding 120 £, and so on to Z. As all above 110 £ on each would be surplus profits, or rent, the rent of B would be 5 £, and that of C 10 £, etc. In some indefinite

¹ J. R. McCulloch: *The Works of David Ricardo*. London, John Murray, 1888, pp. 34, 36, 37.

Alfred Marshall says that those free gifts of nature which Ricardo classed as the inherent and indestructible properties of the soil have been largely modified, partly impoverished and partly enriched by the work of many generations of men. (*Principles of Economics*, 8th edition, p. 147).

time let each of these qualities of soils be cultivated with a capital of 200 £, and their relative fertility remaining as before, let their produce be proportionally increased. A will produce 220 £. B, 230 £, C, 240 £. All above 200 £ on each will now be surplus profits or rent. The rent of B, therefore, will have become 10 £, that of C 20 £ that is, the rent of each will have doubled.”¹

The general accumulation of capital employed in cultivation, while it augments the produce of all gradations of soils somewhat in proportion to their original fertility, must of itself raise rents without reference to any progressive diminution in the return to the labor and capital employed. Jones concludes that a general increase of the produce of land, following the application of additional capital and labor for its more perfect cultivation, seems a very natural and obvious cause of a rise of rents.

Jones also states that, supposing we grant that the difference between the relative fertility of soils is the sole cause of rents, it would not follow that nothing could raise rent but some cause which altered the relative fertility of the land cultivated, since any cause would raise rents which increased the amount of produce of all, though it left their relative fertility untouched.

“We have attempted to show that increasing produce from all the qualities of soil in a country, produced by the application of more capital and labor, will necessarily raise rents in an extensive country farmed by capitalists, from the unequal returns to that capital and labor on lands of unequal goodness: that rents will thus be raised without its being necessary to suppose any alteration in the relative fertility of the soils cultivated, any sort of inferior soils, or any diminution in the produce obtained by agricultural labor on the old

¹ *The Distribution of Wealth*, p. 182.

soils; and that there is no foundation whatever for the opinion that, in every stage of such a process, every portion of additional produce successively got from the same lands must necessarily be obtained by a less advantageous expenditure of labor and capital."¹

Jones not only refuses to accept the theory that the difference between the relative fertility of soils is the sole cause of rent; he even denies the fertility of soils as a fixed quantity. "We must take into calculation the increased power gained by increased skill in the combination and succession of different crops, and the mode of consuming them, and making them react on the fertility of the farms."² A soil which is suitable for one crop may be more or less suited for another, and the differential advantage of different soils, as respects their fertility, may conceivably vary in opposite directions or different degrees in the case of different crops, while their advantage as respects their situation and the cost of conveying their produce to the market may be subject to variations of a similar character if one crop is more bulky or perishable than another and more likely to be injured by delay or rough handling in transit. Once more, the cost of conveyance to the market may differ according to the market in view, and lands favorably situated for one market may be disadvantageously placed for another.³ The increased skill in the combination and succession of different crops which

¹ *Distribution of Wealth*, p. 196-197.

Rogers regarded the use of manures as a factor in checking the effect of diminishing returns. "The greatly increased produce of the 18th century was entirely due to the increased use of natural manures." *Six Centuries of Work and Wages*, p. 476). F. L. Patton also mentioned the introduction of crop rotations as a delay to the law of diminishing returns. (*Diminishing Returns in Agriculture*).

² *Distribution of Wealth*, p. 188.

³ L. L. Price: "Some Aspects of the Theory of Rent," *Economic Journal*, Vol. I.

reacts on the fertility of farms is a strong argument used by Jones against the Ricardian theory of rent.

The reaction of the modes of consumption on the fertility of the farms to which Jones directed attention is a real contribution to the theory of consumption. If our food habits change from time to time there will be no absolute measure of the richness or fertility of land. One piece of land which is fertile for the production of crop A is not necessary for crop B. The scarcity of fertile land exists purely relatively to demand. Fundamental changes in habits of consumption, by affecting demand, affect also the relative scarcity of fertile land. We cannot call one piece of land more fertile than another until we know something about the skill and enterprise of its cultivators and the amount of capital and labor at their disposal, and until we know whether the demand for produce is such as to make cultivation profitable. The fertility of different soils is liable to be changed by the method of cultivation and through the relative value of different crops. With poor culture all lands soon become equally poor, while with proper culture the poor land will become fertile.¹ The term fertility has no meaning except with reference to the special circumstances of a particular time and place.

Jones emphasizes a "limit point" in the operation of the law of diminishing returns: the law is true up to a certain point, beyond which additional capital and labor applied to land will yield less returns proportionately. But it is not true to say that no additional labor can at any time be bestowed upon the earth without a return less in proportion than that yielded to the labor formerly applied

"The stature of man is limited: there is a point
beyond which we know that it would be idle to

¹ Alfred Marshall says that even if there be no change in the arts of production, a mere increase in the demand for produce may invert the order in which two adjacent pieces of land rank as regards fertility. (Marshall: *Principles of Economics*, 8th edition, Macmillan & Co. p. 157).

expect that a human being should increase in height, without decreasing in strength and energy. If we were to argue that every inch added to a young person's stature in his progress to maturity must be followed by increasing debility, we should argue very ill but not worse than those who, having observed that in the culture of the earth there is a point beyond which fresh labour bestowed must produce feebler results, lay it down as a law of nature, that with every increased portion of capital employed upon the land, then will be a decreased rate of production."¹

He went further and argued that if the statement that an additional quantity of labor employed on the land results in a proportionately less return is true, then we can observe two consequences: either the industry of a larger proportion of the population must be devoted to agriculture, or the proportion of the gross produce paid to the landlord as rent must have increased. If these two results are not observable, these rents must have increased from some other cause or causes than from the employment of additional labor in agriculture with a proportionately less return. Then he appeals to the statistical history of England to show three important facts. First, there has been a spread of tillage, accompanied by a rise in the general rental of the country. Secondly, there has been a diminution in the proportion of people employed in agriculture. Thirdly, there has been a decrease in the landlord's proportion of the produce.² From these facts he reached the conclusion that in England rents have risen, the proportion of hands employed in cultivation has become much smaller

¹ *Distribution of Wealth*, p. 190.

² Jones quoted one statement of Adam Smith to support his own argument. "In the progress of improvement, rent, though it increases in proportion to the extent, diminishes in proportion to the produce of the land."

than formerly, and the proportion of the gross produce taken by the landlord as rent has diminished; that the general rise of rents which has taken place has not proceeded from the employment of an additional quantity of labor with a proportionately less return, but from some cause or causes essentially distinct from that one and attended by opposite results; and that increased rents in England have proceeded from better farming and greater produce.¹

The law of diminishing returns is supposed to assume as one of its important qualifications that the efficiency of capital and labor remain constant. On this point Jones replies that in the progress of those improvements in the art of cultivation by which the most profitable amount of produce is approached, it may be possible that each successive portion of capital and labor concentrated on the land is more economically and efficiently applied than the last.² Thus the tendency to diminishing returns must be understood with reference to a given stage in agricultural

¹ This view has been accepted even by J. S. Mill. In spite of Mill's early expressions, derived from economists who believed that returns do, as a general rule, diminish, he made a concession after observing the actual facts. He said that the fact that the produce of land increases in a diminishing ratio to the increase in the labors employed is the universal law of agricultural industry; that this principle, however, has been denied, and experience confidently appealed to in proof that the returns from land are not less but greater, in an advanced rather than in an early stage of civilization, when much capital rather than little capital is applied to agriculture; and that unquestionably a much smaller proportion of the population is now occupied in producing food for the whole than in the early times of our history. (*Principles of Political Economy*, Book I, Chapter 12).

² According to Roger's estimate, land in England produces probably seven times as much as it did five hundred years ago, and the increased production is due in the last resort to the increase of intelligence in the methods of production. In fact, as J. S. Mill has often shown, there is scarcely any advance in general civilization which may not indirectly counteract the law of diminishing returns. (See Nicholson's *Tenants Gain Not Landlord's Loss*, p. 39).

art. Agricultural improvement may counteract this tendency and push the limiting point still further.

Diminishing returns are usually accompanied by increased total returns. There is not an absolute decrease of returns of produce, but merely a diminishing rate of increase. Rent will rise, even while the difference between the relative fertility of the soil is diminishing, provided that the absolute quantity of produce in each class is increasing.¹ Thus the difference between Ricardo and Jones lies in the fact that the former calculates the ratio while the latter estimates the amounts.² One takes the average return for consideration and the other the total returns only. The average return in the physical sense, as a rule, increases up to a certain point, beyond which there is a tendency to diminish. The total returns always increase as the amount of outlay increases.

On the law of diminishing returns, however, modern writers such as Professor Seligman and Fetter try to strike a compromise between Ricardo and Jones. Contrary to

¹ If 100 £ be employed on classes A, B, C, with a produce of 110 £, 115 £, and 120 £ and consequently 200 £, with returns of 200 £, 228 £ and 235 £, the relative differences of the produce will have diminished, and the soil will have approximated in fertility; still the difference of the amounts of their products will be increased from 5 £ and 10 £ to 8 £ and 15 £ and rents will have risen accordingly." *Distribution of Wealth*, p. 196

² Alfred Marshall says: "Ricardo's wording of the law of diminishing returns was inexact. It is, however, probable that the inaccuracy was due not to careless thinking but only to careless writing. In any case he would have been justified in thinking that these conditions were not of great importance in the peculiar circumstances of England at the time at which he wrote, and for the special purposes of the particular practical problems he had in view. Of course he could not anticipate the great series of inventions which were about to open up new sources of supply, and, with the aid of free trade, to revolutionize English agriculture; but the agricultural history of England and other countries might have led him to lay greater stress on the probability of a change. (*Principles of Economics*, p. 163).

Jones they insist that there is a law of diminishing returns, and at the same time they modify Ricardo's doctrine by showing that the law is not so rigid as advocated by him in being applied only to agriculture. Professor Seligman says that the law of diminishing returns is universal and applies to everything that possess value; it explains the rent of land and will equally explain the interest of capital and wages of labor.¹ Professor Seligman also cautiously remarks that a "certain point is the point of full utilization. It frequently happens that this point has not been reached."² Professor Fetter makes a further distinction between technical diminishing returns and historical diminishing returns, a distinction which has been confused by Ricardo and ignored by Jones. Professor Fetter says:

"The principle of technical diminishing returns is that at any given moment the uses obtainable from any indirect agent can not be indefinitely increased without increasing difficulty. Historical diminishing returns occur when, in fact, human effort is less bountifully rewarded in a later period than in an earlier one. If to-day a day's labor in agriculture produces less than fifty years ago, historical diminishing returns would have occurred. In fact, labor is more bountifully rewarded in agriculture than fifty years ago, yet it is true to-day that there are few fields or appliances which, if used more intensively with the prevailing prices of labor and material, would not show a diminishing return to the additional capital applied. Therefore, in the historical sense, increasing returns have prevailed, yet at every moment it has been necessary to apply resources under the guidance of the principle of diminishing returns."³

¹ Seligman: *Principles of Economics*, p. 375.

² Seligman: *Principles of Economics*, p. 252.

³ Fetter: *Economic Principles*, p. 69.

The dispute between Ricardo and Jones on the law of diminishing returns has, therefore, been peacefully settled. Ricardo was right as to technical diminishing returns, but wrong as to historical diminishing returns. Jones was right in the historical sense but was not fair in ignoring the technical law of diminishing returns. There is no one law of diminishing returns, but in its place there must be at least several groups of statements: technical, the entrepreneurial, and secular returns.¹

The criticism of the law of diminishing returns offered by Jones was highly useful in stimulating further examination and revision of the form of the statement. Since his time the law has come to be thought of chiefly as a statement of potentialities, holding true at a given time rather than as having to do with the historical progress of industry. It has also gained recognition as the statement of a tendency rather than as a description of necessary or inevitable facts.

Jones further attacks the supposed indication of the decreasing efficiency of agricultural labor along three different lines. In the first place a fall of profits, he says, is no proof of the decreasing efficiency of the agricultural occupation. A fall of profits, he holds, might be due to a rise of wages. Here he considers that real wages are changeable and that their variation has influence upon the rate of

¹This conclusion has been reached by F. L. Patton in his study, *Diminishing Returns in Agriculture*, 1926. He said: "The first of these groups includes all data relating to physical, experimental or technical diminishing returns. The second group contains all data as to diminishing returns of profits arising out of the profit-seeking activities of agricultural entrepreneurs. It can perhaps best be called entrepreneurial or money returns. The third group of data relates to what will here be called secular diminishing returns." (p. 13).

Professor Fetter says, "There are at least three distinct problems: (1) technical proportion, the best mechanical or physical combination; (2) profitable proportion, the enterpriser's best combination, and (3) the socio-economic problem of the relation of population to resources" (*Economic Principles*, p. 440, footnote).

profit. This is the extreme opposition to Ricardo who assumes the permanent immutability of real wages and then shifts the whole responsibility for a fall of profit to a decreasing efficiency of agriculture. Ricardo's proposition is perfectly logical because, one of the three productive factors being fixed, there must be a mutual influence between the other two. That profit falls must be due to the rise of rent which, Ricardo assumes, is conditioned by the cultivation of the poor soil which, again, is due to the decreasing productivity of agriculture.¹ Jones, on the contrary, maintains that different rates of real wages prevail in countries with similar climate and soils, and sometimes under the same government; that alterations in the food, clothing, habits and general mode of maintenance of the people take place from generation to generation in the same countries; that a change in the rate of wages is sufficient, while the productive power of industry remains the same, to produce a change in the rate of profits; and that a fall of profits is never an unequivocal proof of a diminution in the efficiency of agriculture.²

¹ Ricardo maintains that it is absolutely necessary that money wages should increase, since the price of commodities is continually rising. Money wages will show a tendency to rise in sympathy with the rising price of corn, so that the workman will always be able to procure just the same quantity of bread, no more and no less.

² *Distribution of Wealth*, p. 247-248

Ricardo seems, however, to make use of the same expression in saying that "it is not to be understood that the natural price of labour, estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries." (McCulloch: *The Works of David Ricardo*, p. 52). But his fundamental law of wages is that the natural price of labor is that price which is necessary to enable the laborers one with another to subsist and to perpetuate their race without either increase or diminution. If a working man has more children than are necessary for replacing their parents then their wages fall below the normal rate until increased mortality shall have again established equilibrium.

In the second place, Jones declares that an increasing relative value of raw produce is no proof of the decreasing efficiency of agriculture. He argues that the relative value of raw produce might be due to the greater improvement in the skill of manufacture than in that of agriculture:

“In the progress of nations an increase of manufacturing power and skill usually occurs greater than that which can be expected in the agriculture of an increasing people. This is an unquestionable and familiar truth. A rise in the relative value of raw produce may, therefore, be expected in the advance of nations, and this from a cause quite distinct from any positive decrease in the efficiency of agriculture.” (*Distribution of Wealth*, p. 249).

Lastly, Jones emphasizes the point that an increasing money value of raw produce, compared with prices in other countries, is no proof of the decreasing efficiency of agriculture. It may, he assumes, proceed from paying higher wages or heavy taxation, or it may proceed from different values of precious metals.¹ He traces the increasing relative value of agricultural products from the increasing efficiency of manufactured goods, and the increasing money

¹In this connection Jones followed the opinion of Malthus, who maintained that the differences in the price of corn, so easily observable in different countries, might be due to a difference in the value of the precious metals in different countries under different circumstances. More than three-fourths of the difference between the price of corn in Bengal and England is probably occasioned by the difference in the value of money in the two countries. (*Principles of Political Economy*, p. 193).

The same idea was expressed even by Ricardo himself, when he said that when any particular country excels in manufactures, so as to occasion an influx of money towards it, the value of money will be lower and the prices of corn and labor will be relatively higher in that country than in any other. (*Principles of Political Economy and Taxation*, p. 163).

value of raw produce from the causes arising from the monetary side of the price equation, not from the goods side.

After the discussion of the law of diminishing returns Jones presents his theory of economic harmony, which appears in his argument against the claim that the economic interest of the landlord is in conflict with the community as maintained by Ricardo. The question of economic interest is, at bottom, a question of whether agricultural improvements are detrimental to the landlords. According to Ricardo's opinion.

"If the interests of the landlord be of sufficient consequence to determine us not to avail ourselves of all the benefits which would follow from importing corn at a cheap price, they should also influence us in rejecting all improvement in agriculture and in the implements of husbandry, for it is certain that if corn is rendered cheap, rents are lowered, and the ability of the landlord to pay taxes is, for a time at least, as much impaired by such improvements as by the importation of corn."¹

He also distinguishes the improvements in agriculture as being of two kinds: those which increase the productive powers of the land, and those which enable us, by improving our machinery, to obtain its produce with less labor. They both lead to a fall in the price of raw produce; they both affect rent.²

Again, in his criticism of Malthus' opinion on rent, Ricardo holds that

"both the improvement in agriculture, and the superior fertility, will give to the land a capability

¹ Ricardo: "Essay on the Influence of a Low Price of Corn on the Profits of Stock" in the *Works of David Ricardo*, ed. by McCulloch, p. 390.

² McCulloch: *The Works of David Ricardo*, p. 42.

of bearing at some future period a higher rent, because with the same price of food there will be a great additional quantity; but still if the increase of population be in the same proportion the additional quantity of goods would not be required, and, therefore, rents would be lowered and not raised.¹

So he concludes that "independently of these improvements, in which the community have an immediate and the landlord a remote interest, the interest of the landlord is always opposed to that of the consumer and manufacturer."² We observe in his statements that he assumes a stationary condition of population and a sudden introduction of an improvement which makes the raw produce cheaper and the rent lower. Here Jones argues that population will not be stationary, and from Malthus he borrows the idea that food creates its own demand.³ Jones says: "In the process by which increased supplies of food are produced for an increasing population, we observe no

¹ *Ibid*, p. 251.

In his chapter on rent, Ricardo also maintains that "it is undoubtedly true, that the fall in the relative price of raw produce, in consequence of the improvement in agriculture, or rather in consequence of less labor being bestowed on its production, would naturally lead to increased accumulation; for the profit of stock would be greatly augmented. This accumulation would lead to an increased demand for labor, to higher wages, to an increased cultivation. It is only, however, after the increase in the population, that rent would be as high as before; that is to say, after No. 3 was taken into cultivation. A considerable period would have elapsed, attended with a positive diminution of rent." (*Ibid*, p. 42).

² McCulloch: *The Works of David Ricardo*, p. 202.

³ Rent, Malthus says, is paid because (1) the land produces more than enough to maintain its cultivation; (2) the necessaries of life have a peculiar quality of being able to create their own demand, to raise up a number of demanders in proportion to the quantity of necessaries produced; and (3) the most fertile land is comparatively scarce. (Malthus: *Principles of Political Economy*, 1820, p. 139).

such wide dislocations between supply and demand.”¹ He also states that as the mass of people slowly increase, we see the gradual pressure of demand stimulating the agriculturists to improvements, which, by an imperceptible progression of the supply, keep the people fed; that while these processes are going on, every increase of produce occasioned by the general application to the soils of more capital, acting upon them with unequal effect according to the differences in their original fertility, raises rents; and that the interests of the landlords are at no moment opposed to improvements, which, while they increase the mass of raw produce, are as favorable to the augmentation of the revenues of the owners of the soil as they are essential to the well-being of the people. He further mentions that it is necessary to remember the slow manner in which agricultural improvements are discovered, completed, put to practical use, and spread. This view has been supported by Rogers, who said that it is the characteristic of agriculture that its improvements are so gradual as to be almost imperceptible.² Agricultural knowledge is not gained overnight.

Jones also points out the difference between the temporary and the permanent prosperity of the landlord in his theory of economic harmony. His arguments run as follows:

“It is true that there are cases in which the landlords may derive a limited advantage from circumstances which are diminishing the means of the body of the people, but their permanent prosperity must emanate from more wholesome and more abundant sources.” “When the revenues of any class increase, that increase may in every case proceed from two causes: first from an invasion of the revenues of some other classes, the aggregate reve-

¹ *Distribution of Wealth*, p. 200.

² Rogers: *Six Centuries of Work and Wages*, p. 469.

nues of the state remaining what it was, or secondly from increased production, leaving the revenues of all the other class untouched, presenting a clear addition to the aggregate revenue of the nation." "A little consideration will show us that it is only in the last that is the most advantageous manner, that the revenue of any class can increase progressively and securely in the progress of nations." "The fact is, that the prosperity which each class can grasp by the depression of other is limited and insecure. The advantages which each may draw from sources of increasing wealth common to all, or at least injurious to none, are safe, and capable of being pushed to an extent of which the limits lie beyond our experience, or means of calculation." (*Distribution of Wealth*, p. 270).

Then Jones concludes that a diminution in the share of the producing classes in the produce is certainly a possible, but as certainly only a limited and very rare, source of advance in the revenue of the landlords; that a gradual increase of their means, which keeps pace with the riches of other branches of the community, flows from healthier and more copious fountains; that the circumstances which are most essential to the continuous prosperity of the landlords are also most conducive to the increasing wealth and strength of the nation; that it is an error to suppose that there is anything peculiar to the landlords in the fact that they have occasionally a limited interest opposed to that of the other bodies which compose the state.¹

¹ Here Jones had closely followed Malthus who undertook, in three sections of his book, (*Principles of Political Economy*), to establish the strict and necessary connection of the interest of the landlord and of the state, whether the country raised its own food supply or imported a major part. Malthus was convinced that advancing rents were a symptom of national progress.

The second source of the increase of farmers' rent, Jones maintains, is the increasing efficiency of the capital employed. The first source of the increase of farmers' rent was a quantitative accumulation, but this second one is a qualitative improvement in the utilization of capital. The efficiency of the capital employed in cultivation may show itself in two ways: first, less capital may be necessary to produce a given quantity of produce from a spot of ground; second, the same capital may produce from the same spot of ground a larger produce than it yielded before. Whichever the result, however, the increasing efficiency of the capital employed shows itself, rent will rise, and unless the progress of improvement outstrips the progress of population, and the growth of produce exceeds the growth of demand, this rise of rent will be permanent. The rise of rent from the increased efficiency of capital employed, Jones assumes, will ordinarily coincide with an extension of agricultural wealth, the population, the strength and the resources of the country.¹ He also assumes that such a rise of rents might take place, and go on increasing with the increase of population indefinitely, though no inferior gradations of soil were in existence.

¹ Jones, however, makes the remark that increased rents from the increased efficiency of capital, though an addition to national wealth and resources, do not indicate so large an addition to those resources as increased rents proceeding from the accumulation of capital in cultivation. "When 100 £ produce (prices being the same) corn worth 120 £ instead of corn worth 110 £, the wealth of the nation is increased by 10 £'s worth of corn and no more. When 90 £ will produce the same quantity of corn which 100 £ did produce, the nation is enriched to the same amount in another shape; for 10 £ may be withdrawn from agriculture without its produce being diminished and the nation will be enriched by being put in possession of any other commodities which the capital of 10 £ may be employed to produce. The increase of national wealth will in either case be confined to the amount of 10 £, the same sum by which rents rise." (*Distribution of Wealth*, p. 224). Here we can observe the turn of mind of Jones, who always emphasizes the amount of increase instead of the rate of increase.

Still further, he considers the tillage of poor soil as the consequence of the increased efficiency of capital which is the source of the increase of rent.

"The same increased productiveness of agricultural capital which occasions a rise of rents on old lands usually makes it possible to extend tillage to lands of inferior natural fertility with as ample return as that obtained from the old soils before the improvement took place."¹

On this point Jones clashes with Ricardo. The latter regards the cultivation of poor soil as the cause of the rise of rents, while the former insists that whenever a rise of rents takes place from the increased demand for agricultural produce, the spread of tillage to inferior soils presents a practical limit to that rise.² Jones' arguments may be briefly stated as follows: it is clear that if, as population increased, all fresh supplies were necessarily extracted from the old soils alone, there would be no assignable limit to the increase of the relative value of raw produce, of the surplus profits made on the land, or of

¹ *Distribution of Wealth*, p. 225.

² *Distribution of Wealth*, p. 228.

In *Social Economics* Professor Cassel expressed the same idea: "The one-sided stress on the differential element is apt to give the idea that the existence of inferior land is somehow essential to the ground rent of better. As a matter of fact this ground rent by no means depends for its existence upon the presence of the inferior land; on the contrary, it is merely reduced on that amount." (p. 227.)

In the discussion of the third source of increasing farmers' rent, Jones also declares that the decrease of the share of the producing classes and corresponding rise of rent have been wholly unconnected with the cultivation, or even the existence, of poor soils. "If a country had no soils to resort to besides those already cultivated, the demand might keep constantly ahead of the slowly increasing supply, and the possible increase in the relative value of raw produce, and the consequent rise of rents, would be indefinite. But when inferior gradations of soil exist, and can be resorted to, the rise in the exchangeable value of raw produce is limited." (*Distribution of Wealth*, p. 231).

rents. But while additional quantities of produce can be obtained from inferior gradations of soils, the price of raw produce will never exceed the cost of producing it from the lowest gradation which it is found expedient to cultivate, and if, from the increasing efficiency of agricultural capital, the cost of getting produce from that gradation is not greater than it was on the old soils before the improvement, the price of raw produce will not rise at all. The inferior soils, though their cultivation is not essential to a rise of rent, present always a boundary to that rise. Their existence is a protection to the interests of the consumers, without interfering with those of the landed proprietors. They prevent corn being sold at a monopoly price. In a word, the presence of poor lands checks the rise of rent.¹

In his discussion of the efficiency of capital, Jones also approached the modern view of the law of proportionality in dealing with all productive factors. As agricultural knowledge is improved, machinery will be used and human labor will be reduced. The progress will be made through various experiments which will test the efficiency of the two factors. Jones believed that in countries where capital abounds the owners of it are always impelled by self-interest to use the various factors which they employ as much as

¹ Alfred Marshall also mentions the fact that the existence of inferior agents does not raise, but lowers, the rents of superior agents. "In this connection it may be noted that the opinion that the existence of inferior land, or other agents of production, tends to raise the rents of the better agents is not merely untrue. It is the reverse of the truth. For, if the bad land were to be flooded and rendered incapable of producing anything at all, the cultivation of other land would need to be more intensive; and therefore, the price of the product would be higher, and rents generally would be higher than if the land had been a poor contributor to the total stock of produce." (*Principles of Economics*, p. 424).

possible in the shape of auxiliary capital, and as little as they can help in the shape of wages of labor.¹

The third source of the increase of farmers' rent, Jones states, lies in a decrease in the share of the producing class, while the produce remains the same. In this case, he assumes that the produce is stationary and the farmers' ordinary profit remains the same, but his share in the produce of the soil shrinks as the price of the raw produce rises, proceeding always from an increasing demand without a corresponding increase of the supply.

"A rise in the relative value of raw produce, from whatever cause the rise proceeds, will always be followed by a decrease of the share of the producing classes in the products of the soil, relative to the labor and capital they employ, and by a corresponding rise in the produce rents to the landlords."²

The rise of rents in this case forms no addition to the resources of a country. Jones himself perceives that the increased rents of old soils are a mere transfer of a portion of the wealth already existing from the producing classes to the landlords. Yet he still refuses to accept the dark picture drawn by Ricardo that as rents rise, profits will necessarily fall and wages will remain stationary. He says:

"Such a diminution in the power of agriculture, though a possible event, takes place in the progress of the wealthy people very rarely. I doubt if it ever takes place at all; and, when it does take place, we must not hastily conclude that, because the quantity of corn remaining in the hands of the

¹ *Distribution of Wealth*, p. 227. The "various conditions" mentioned by him express exactly the idea of modern agricultural experiments and this law of proportionality can be applied to any kind of industry.

² *Distribution of Wealth*, p. 231.

producing agricultural classes is diminished, there must therefore be a fall either in profits or wages, or that such producing classes would have the means of consuming either less corn, or less of any other commodity, than they did before the reduction of their share in the produce of the soil.”¹

Human industry, he holds, is not wholly employed in turning out raw produce and its increasing in other departments may balance the decreasing powers of agriculture. The effects of the failure in productive power of one branch of the population will be balanced by the increased productive power of another branch. Those who produce less will find their commodities rising in exchangeable value; those who produce more will find them falling. These variations in relative value will distribute equally all the advantages and disadvantages of the variations which take place in the producing power of different branches of industry. The decreasing efficiency of agricultural capital must, however, be disadvantageous, though it is not necessarily followed by any actual impoverishment.² His points of view on economic problems are always cheerful and optimistic: in the case of the increasing efficiency of agriculture he maintains that more non-agricultural classes can be supported, and in the case of decreasing efficiency he argues that it can be balanced by the increasing efficiency of manufacturing labor.

He concludes that the erroneous views in which these

¹ *Distribution of Wealth*, p. 233.

² “A decrease in the share of one of the producing classes, that is, a fall in the rate either of wages or of profits, is never necessarily the result of the diminished productive power of human industry in any of its branches.” (*Distribution of Wealth*, p. 241).

But according to Ricardo's opinion: “profits of stock fall only because land equally well adapted to produce food cannot be procured; and the degree of the fall of profits, and the rise of rents, depends wholly on the increased expense of production.”—(McCulloch: *The Works of David Ricardo*, p. 375).

positions originated proceeded no doubt from imperfect observation and hasty reasoning. He blames the Ricardian School for not having directed enough observation to foreign lands.

"We are all as Englishman occasionally more liable than could be wished to some of these mistakes. We are much too prone to consider the state of society in which we exist as a type of all others and this narrow and mistaken assumption is necessarily the parent of much ignorance and many errors. England is, in fact, at the extreme and verge of the economic career of nations."¹

He considers his own theory a new one, but he is very cautious in avoiding the claim of being omniscient, and always keeps in mind the relativity of economic doctrine.²

So far we have studied the arguments of Jones against Ricardo and we are now in a position to present the differences between the two men on the theory of rent.³ The primary cause of the differences in opinion between Ricardo and Jones lies in the distinction between differential rent and scarcity rent. Their conceptions of rent are not the same. According to Ricardo it is convenient to estimate

¹ *Distribution of Wealth*, p. 286.

² "The rents paid by the smallest, but to us the most interesting class of tenantry, agricultural capitalists or farmers, I have treated with Mr. Malthus and others simply as surplus profit. This view, however, taken here of the different modes by which these surplus profits may increase and accumulate on the soil is, I believe new. Certainly it is cheering and strips away at once all that was harsh and repulsive in the false aspect lately so laboriously given to the causes and sources of increase in this class of rents." (*Distribution of Wealth*, p. 286).

"In the meantime, as I am conscious that the wide outline I have drawn, and such details as I have introduced, are faithful and impartial, I cannot, and do not doubt that the productive supply of detailed information will conform to the principles I have pointed out, while it may probably modify and correct to some extent their local application" (*Distribution of Wealth*, p. 306).

³ See Appendix B.

the rent of a particular agent by comparing its yield to that of an inferior agent, when similarly worked with appropriate appliances. According to Jones it is best to go straight to the fundamental relations of demand to the scarcity or abundance of the means for the production of those commodities for making which the agent is serviceable.¹ In his theory of peasant rent Jones attributes to the origin of rent the appropriation of soil which is, in turn, due to the overwhelming necessity of the inhabitants. The whole land of a country is required for cultivation. The cause of rent is the growth of demand and not the cultivation of "land No. 2," or poorer land, because the cultivation only take place when the prise has risen. If in any country the last type of land used were scarce relatively to the demand, it would have to bear a rent. The ground rent of land of a certain quality is by its nature a scarcity price. It is the payment secured for the use of marginal land.² This concept of marginal or scarcity rent denies the existence in actual cultivation of no-rent land. It is shown that the various uses to which the same piece of land may be put ordinarily permit marginal land to command a rent. Marginal produce is derived from rent-paying land, and rent to that extent is held to enter into the cost of marginal produce. Such is the theory of rent quite independent of the law of diminishing returns and the mar-

¹ Marshall: *Principles of Economics*, 8th edition, p. 423.

² The dictum that rent does not enter into normal cost is entirely true only in connection with the assumption of the employment of land for a single productive use and the consequent availability of a body of free or no-rent soil. Under modern industrial conditions land is capable of a series of uses. The poorest or marginal land utilized for any particular purpose is above the margin of utilization of rent-paying land with respect to the next lower purpose. To be retained in the first use, it must yield a marginal rent equivalent to that which it would pay if devoted to the second use.

ginal fertility of land.¹ The fertility of the soil is not one bit more important to the farmer than the proper amount of sunshine and rainfall. Yet the farmer pays a price for the use of soil whereas he receives free the use of sun and rain. This contrast leads the way to an explanation of the basic relation which supply of land bears to the price paid for the use of it.²

Now we can say that commonly the marginal land, for any particular use, itself affords a rent because, though marginal for the given use, it is above the margins for some other use to which it might be applied. Rent is thus composed usually of a differential and of a marginal element. The differential element is an expense of production only to enterprisers using superior land for a given purpose, while the marginal element must be paid by all enterprisers engaged in a given branch of production and figures as an element in the normal expense of production. Thus Ricardo's concept of rent should be broadened rather than shaken by Jones' attack. Rent is a cost for those theorists concerned primarily with the competing uses of land; it is not a cost for those who regard it as a distributive share arising from all the employments of land, treated as though they were one. With Ricardo the latter view appears predominantly.

Ricardo seeks in the theory of rent one general principle which will solve all land problems. But such a theory is an impossibility. In addition to the differential analysis we need some other principles: first, the principle of

¹ The description of rent as a differential return is of theoretical importance if rent is not a cost, if it does not enter into price. Until it is independently proved that rent is not a cost the differential analysis which is based upon a comparison of the productivity of unlike units is incapable of distinguishing rent from wages and interest.

² In the case of farmers' rent Jones considers rent as a surplus profit. All that is needed is an intense demand for a supply that is never equal to that demand, so that the price is above the cost of production.

scarcity reflects a factor influencing prices; second, the substitution principle governs the shifting of land from one use to another; and third, the principle of proportionality means the proportionality of the economically available supply of land among its uses in such a way that all demands will be adequately met.

Since the time of Jones' criticism of the Ricardian School, all the assumptions of the theory of rent have been assailed. The assumption that the powers of the soil are original or non-produced by men has been attacked. The assumption that the powers of the soil are indestructible has been denied and the assumption that rent is a species of income wholly different from other incomes has been modified.¹ It has been realized that agriculture is

¹ The analogy between returns from land and capital has already been expressed by J. Craig, in 1831. "So much do these sources of revenue resemble each other, that even in ordinary language the return for fixed capital, when the necessary circulating capital is supplied by a different person, is always denominated its rents." (*Remarks on Some Fundamental Doctrines in Political Economy*, p. 138).

Again, S. Bailey in 1825 established the analogy between land rent and labor rent. "The extraordinary profit out of which rent arises is analogous to the extraordinary remuneration which an artisan of more than common dexterity obtains beyond the wages given to the workman of ordinary skill. In one case the monopoly is bounded by the existence of inferior soils, in the other by the existence of inferior degrees of dexterity." (*A Critical Dissertation on Value*, p. 185).

J. S. Mill has broadened the meaning of rent. "All advantages which one competitor has over another, whether natural or acquired, whether personal or the result of social arrangement, assimilate the possessor of the advantage to a receiver of rent." (*Principles*, Book III, chapter 5.)

Later J. B. Clark definitely declares, "The principle that has been made to govern the income derived from land actually governs those derived from capital and from labor." ("Distribution as Determined by a Law of Rent," *Quarterly Journal of Economics*, 1890, p. 289).

All these writers were trying to extend the term "rent" to every differential gain. We have a number of differential revenues which are exactly analogous to the rent of land.

by no means the only domain in which capital and labor yield unequal returns. Degrees of productivity and differences in returns are equally evident in the case of capital. Similarly, the production of one worker as compared with another is frequently unequal. Differences in industrial revenues are quite analogous to the differences in agricultural incomes. Still more, the supply of land has come to be viewed from two standpoints: physical supply and economic supply. One is constant and the other always changing. Ricardo's historical theory of rent—the order of cultivation from good to bad soil—has been challenged by American agricultural experiments. His static theory of the economic forces tending to determine rents at the present time has been modified and extended to all other factors of production. And his dynamic theory of the causes continually tending to increase rent as wealth and population increase has been proved to be untrue by the economic facts of history.

Therefore, the revolt against Ricardo's theory of rent, initiated by Jones, has been successful. Jones' study of economic institutions has been proved useful in pointing out the narrowness and inapplicability of the Ricardian system of political economy,¹ and Jones' arguments against the law of diminishing returns, the origin of rent from the unequal fertility of soil, and the economic conflict between the landlord and the other classes seem to have been justified and supported by later writers.

¹ "Mr. Ricardo, however, overlooking the limited extent of the field to which these principles were really applicable, undertook from them alone to deduce the laws which regulate the nature and amount of the revenue derived from land at all places and under all circumstances; and, not content with this, proceeded from the same narrow and limited data to construct a general system of the distribution of wealth, and to explain the causes of variations which take place in the rate of profits or amount of wages over the surface of the globe." (*Distribution of Wealth, Preface, p. 8*).

CHAPTER V

THE THEORY OF WAGES

I. *The Classification of Laborers and the Doctrine of the Wage-Fund.*

ACCORDING to Jones' system of political economy, the theory of wages should follow the theory of rent. He believed that the next, and a more important, division of the annual produce, is that which is consumed as wages of labor, but it is taken in the second, instead of in the first place, because a clear perception of the causes which affect the amount of the remuneration received by the majority of the laborers in the world can only be attained after a survey of the forms and conditions of the various rents they pay.¹ In discussing the theory of wages, he employs the same method of approach as he used in the theory of rent, appealing to the experience of the past, and examining the present. His discussion of the theory of rent centers on peasant rent, which was entirely ignored by Ricardo; in like manner, in dealing with the theory of wages, his attention is chiefly paid to groups of laborers which the Ricardian School has completely left out of consideration. His inquiry into this subject consists of two main questions: what are the funds which support the laboring population of the globe, and what are the laws by which the numbers of those who are to share those funds are determined? He studied these topics from the standpoints both of production and of distribution.

The early nineteenth century economists talked of wages as if the term included all remuneration of labor; yet they

¹ *Distribution of Wealth, Preface, XXVI.*

thought of no labor except that type which earns "wages" in the common, narrow acceptation of the word. They thought that all laborers were hired by capitalists. It happened that in England, at the time when the Classical economists were developing their system, a larger proportion of manual workers were in this situation than had been the case, hence, the easy assumption of such a condition by these writers, and hence their easy acceptance of the wage-fund doctrine. In order to attack the current theory of wages, Jones first introduces a three-fold classification of laborers. First, "unhired laborers," are those who cultivate the ground they occupy as peasant cultivators and live on self-produced wages. Secondly, "paid dependents" are those who are paid out of the revenues or income of their employers. Thirdly, "hired laborers" are those who are paid out of the capital of their employers.¹ This kind of three-fold division of laborers is founded entirely on the difference in the nature and the formation of the funds which supply their wages. The first group is self-supporting, and there is an intimate relation between wages and rent. The difference between the second and the third groups lies in the fact that the second group is supported, not from a fund which has been accumulated and saved with a view to profit, but by expenditure of income, while the third group is employed by the capitalists, out of a view to profit. The profit motive marks the difference between the two.

Jones possesses a broad-minded view of the great variations in the machinery of production and distribution among different communities and in different times. Instead of one kind of wage-fund he offers three. The first portion

¹"The third class of hired laborer, paid from capital, has so exclusively met the eyes and occupied the thoughts of English writers on wages, that it has led them into some serious and very unfortunate mistakes as to the nature, extent, and formation of the funds out of which the laboring population of the globe is fed, and as usual, they have misled foreign matters." (*Literary Remains*, p. 14).

is a quantity of wealth produced by the laborer himself as the occupier of the soil. This branch of the labor fund supports a far greater proportion of the laboring classes of the earth than either of the other two. In the infancy of society men are wholly dependent on what they can themselves produce from the earth, first by collecting its spontaneous produce, and then by what they can obtain by cultivation. As society advances in civilization, the process of property in the soil begins. It is vested in those who so represent the community. The state may be the supreme owner of the soil, and the occupiers cultivate under conditions imposed by the state. Here we have hereditary occupiers. Gradually a body of landowners, intermediate between the occupiers and the state, may impose the conditions under which the occupiers cultivate; these cultivators will be called tenants. Hereditary occupiers and the tenants cover the vast majority of the cultivators of our earth. The conditions imposed upon them determine the rate of wages. Of the produce of the soil, a part is left in the hands of the occupier, it constitutes his wages; a part goes to the owner of the soil, it constitutes his rent. If the produce remains stationary, you cannot increase the one without diminishing the other of these quantities. There is, however, a certain limit beyond which all demands of the landlord must not go. Enough must be left to the laborers to maintain themselves and rear such families as will secure another generation of laboring occupiers. If the peasants have need of ground, the landlords have need of tenants. Thus is established the minimum wage of occupying cultivators. From observation and experience Jones concludes that the fund for the maintenance of this group of laborers — probably the most numerous in the world — forms no part of the saved and accumulated capital of nations, but is a revenue produced by themselves from the soil, and that the produce of their land being taken as a given quantity, it is the rent they pay which determines what shall be left to them as wages.¹

¹ *Literary Remains* pp. 433-434.

The second portion of the wage-fund is derived from the revenues of superior classes expended on the maintenance of laborers. Before capitalists appear as the advancers of wages, there is a long interval during which the owners of revenue must apply it themselves, in support of the workman who produces the commodities they desire. The early dependence of the artisans directly on the revenues of consumers is a matter of necessity. They cannot be supported by advances from accumulated stock when neither capital nor capitalist exist for the purpose. It is in Asia, Jones assumes, that we observe this peculiar fund for the maintenance of non-agricultural laborers in full and continued activity and predominance. Bear in mind the two facts, he says, that a body of such workmen can exist only in the employment of the distributors of revenue, and that the great distributor in Asia is the State. In Asia, the surplus produce of the soil has been distributed mainly by the king's officers to the non-agricultural population, and that non-agricultural population has swarmed about the court of an Eastern Monarch. It has happened in times past that these Oriental States, often supplying the expenses of their civil and military establishments, have found themselves in possession of a surplus which they could apply to works of magnificence, and in the construction of these their command over the hands and arms of almost the entire non-agricultural population has produced stupendous monuments, such as the Great Wall of China.

There are one or two propositions which it is well to bear in mind, Jones states, while tracing the functions of this particular part of the wage-fund. The surplus produce of agriculture consists of all the produce not consumed or used by the cultivators during the task of cultivation. It always limits the non-agricultural population of the whole earth. It also determines, by the mode of its distribution, the occupations of the non-agriculturists, and the nature of the commodities produced by such of them as produce wealth. It is obvious that this surplus may come into the

hands of, and be expended by very different men, or classes of men, and these differences must affect powerfully both the occupations of the non-agriculturists and the nature of the commodities they produce. This surplus produce may be distributed by the state, by a body of landholders distinct from the cultivators, by the cultivators themselves, or by all three in different proportions.

The third portion of the wage-fund is the wealth accumulated and saved from revenue and advanced to the laborers with a view to the profits of its owners. It prevails more widely and exclusively in England than anywhere else. Jones asserts that there are two prominent circumstances affecting their positions and fortunes which broadly distinguish this class of laborers from both unhired laborers and hired dependents.¹ In the first place, the whole fund from which they are paid is a fund which has to be saved, which goes through a process of accumulation with a view to profit, and, as their numbers increase, it is necessary for their continuous prosperity that the community, of which they form a part, should save and accumulate capital at least as fast as they are multiplying their numbers. This is not the case, either with unhired laborers or hired dependents. The wages of the unhired workman never exist in any other form than that of a stock destined for immediate consumption; his welfare is quite independent of the savings of any part of the community. The funds, likewise, on which the hired dependent lives go through no process of saving; his subsistence depends not on the economy and accumulation of the class which employs him, but on expenditure of the funds for the purpose of immediate enjoyment. The second circumstance is that the continuous employment of the hired laborer may be dependent upon the existence of a demand for the products of his labor rather than the demands of his immediate employer, that is, there must be a market for the commodities he

¹ *Literary Remains*, p. 173.

produces. His condition and livelihood are affected by fluctuations in the taste and consumption of the most distant parts of the world. The wages of such laborers depend on the relative growth of capital and population. Jones gives little space to the discussion of this class of laborers. He maintains that the organization of industry by which laborers are hired by capitalists represents an advance in the method of production. The laborers work more continuously and efficiently.

The differences which he points out between modern advanced societies and old communities having a fundamentally different organization of industry, deserved much more attention than they received. The English economists of that time had a singularly insular horizon. They regarded only the phenomena that were before their eyes in their own country, and generalized from them with a strange disregard of the absence elsewhere of the conditions on which their generalization rested. Wages were described to mean any reward for immediate exertions, regardless of the mode in which the reward comes. In the detailed discussion of wages, the case of the hired laborer and of what the employer would pay him occupied the chief place. The large array of persons who received a return for labor in a different manner were left without any distinctive designation. Jones' protests against the indiscriminating rashness with which they applied their doctrines should be considered as an important contribution to the study of the problem.

Jones also mentions the advantages of the capitalist system to the laborer, because it brings competition for his services.

"As accumulation goes on, however, and the mass of capital becomes greater relative to the number of the laborers, there must be a struggle and competition in the labor market to invest some of the fresh capital in wages — its owners cannot escape from this necessity. No fresh machinery can be provided or managed except with the as-

sistance of labor. The struggle, during the relative advance of auxiliary capital, is constantly supporting and bring up the rate of wages, and, abstracted from all other causes, this progress secures the interest of the laborers, and tends to carry their wages to the highest point which the capitalist can pay, consistently with his making a reasonable profit on his capital.”¹

But he is very careful to add a qualifying statement: “It is to be remembered, however, that this is only true where the mass of capital is increasing faster than the population. If the capital increases only as fast as the population, or slower than the population, other results follow.”²

1. *The Theory of Population.*

This leads us to study his theory of population. Jones states that the subject of population is connected with political economy mainly because the understanding of it is necessary to comprehend the causes of fluctuations in the rate of wages and profits.³ He divided the subject of population into three parts, namely, the causes which affect the progress of population generally, the causes which affect the progress of the laboring class in particular, and the causes which determine the ultimate incidence of taxes laid on such commodities as are consumed by the

¹ *Literary Remains*, p. 460.

² *Literary Remains*, p. 460.

³ *Lecture on Population*, p. 153. (Reprinted in *Literary Remains*). Also in the *Preface* of his *Distribution of Wealth*, he says that the facts on the subject of population which Malthus brought to light must always hold a prominent place in “every inquiry into the causes which determine the social progress and conditions of nations, and the most prominent place in such branches of those inquiries as have for their especial object the explanation of the laws which govern the rate of wages.” (*Preface* p. 9).

laboring classes.¹ The last of these topics, however, has no direct bearing upon the subject of population. We will discuss it later in the Chapter on taxation.

He definitely declares that vice, misery, and moral restraint (suggested by Malthus) do not comprise all the checks to population, and that on the whole subject of population we should gain in clearness of conception and avoid exaggeration if we were to get rid altogether of this three-fold division of the checks, and should separate them into two classes, consisting, first, of the causes which increase the number of deaths, and second, of the causes which diminish the number of births.² In other words, these checks must comprise every circumstance which makes the numbers of birth fewer, or the number of deaths greater, than they would otherwise be. He first tries to explain some habits that increase mortality which are not vicious, nor referable to misery:

“If, indeed, we include under the head of vice every voluntary habit, however, far from moral taint, which increases mortality, and if, under the head of misery, we include all causes of increased mortality which arise from the absence of more sufficient means, though free from conscious suffering, we may certainly extend our notions of the effects of sin and misery to an indefinite extent. The lawyers, the students, who talk or read themselves to death, are the victims of their vices. The man who dies because he cannot afford the expense of a voyage to Italy or Madeira, is a victim of misery. We may thus introduce into action sin and misery, on a new scale, and convey the

¹ He treats of the general subject of population as subordinate to the last two heads of inquiry. His third inquiry will be discussed in connection with his theory of taxation.

² *Lecture on Population*, p. 162.

most unfounded alarms as to the influence of these evil things in controlling the progress of the numbers of mankind.¹

Then he denounces Malthus' narrow division of moral restraint as defective in excluding partial restraint and confounding the lapses of infirmity with the deliberate and regular course of vice.²

He offers the term "voluntary restraint" in place of moral restraint. The dominion of voluntary restraint, he says, rests upon two points in the rational and moral constitution of man, on his foresight and on the habit of indulging secondary wants. In order to examine the exact mode of increase in the influence of foresight in retarding the age of marriage, he found it convenient to divide the wants and requirements of mankind into two classes. All the means that any rank of the community require to satisfy their wants and tastes, the satisfaction of which they believe essential to their respectability or comfort, may be called their "means of maintenance." The means which they require to support a bare healthy existence, may be called their "means of subsistence." The means of maintenance, therefore, will always include the means of subsistence, but the means of subsistence may be very far from includ-

¹ *Literary Remains*, p. 95.

² "In order to make the erroneous views arising out of this faulty division of checks more apparent, let us observe the career of a professional man refraining from marriage till the age of thirty-five, and keeping constantly in prospect the establishment of a home and a station for himself and his children: it is not too much to assume that, to attain the end he has in view, his career, during the time, has been honorable and useful; that he has been careful of his own self-respect, jealous of his honor, zealous in his exertions, and that society is both served and adorned by a class of such members. Yet let the frailty of nature overcome him once during his career, and at once, according to Mr. Malthus, the whole check on rapid multiplication, established by the existence of such a class of men, becomes converted into a mass of unmixed vice." (*Literary Remains*, p. 154).

ing the means of maintenance. The means of subsistence of families are limited and stationary in amount, or, very nearly so, while the means of maintenance may vary, and become enlarged indefinitely with the different tastes and habits and means of different ranks in the same nation. In other places, he employs the terms "primary wants" and "secondary wants" instead of means of subsistence and maintenance.

"The wants of mankind are divided into primary and secondary. Primary wants are a given quantity and include whatever is necessary to subsistence and health. Secondary wants are an unlimited quantity, embracing whatever contribute to comfort and enjoyment."¹

Concerning the relative influence of these two kinds of wants in checking population, Jones says that the foresight which warns men of the danger of their not being able to satisfy their primary wants has a limited influence, because the wants themselves are limited, and the influence of precedence ceases when the means of satisfying them are found. But it is different with secondary wants; they are indefinite. The multiplication of secondary wants has no limits that we can discern, and their influence in creating habits of prudence increases almost step by step with increase of their numbers.² Secondary wants increase as men rise in the scale of society. Throughout the whole mass of human society, he maintains, it is the multiplication of the means of comfort and of enjoyment which, during the career of nations, is the great and efficient cause

¹ *Literary Remains*, p. 467.

Jevons, on the subject of human wants, mentioned T. E. Banfield as the most important writer in the discussion of primary and secondary wants. But as a matter of fact, Banfield's *The Organisation of Industry* was published in 1844, several years later than the appearance of Jones' book on rent, which was published in 1831. Jones also discussed the question in his introductory lecture delivered in King's College in 1833.

² *Literary Remains*, p. 102.

which prompts men voluntarily to refrain from the greatest possible exercise of their power to increase their numbers and in proportion as wealth increases and spreads throughout the nation, the motive for, and habit of, such voluntary restraint acquire a stronger influence over the progress of the population.¹ The importance of secondary wants as a check to the growth of population cannot be over-estimated; it is the multiplication of the means of commanding comforts and luxuries which forms the real check to the growth of population, and not the wants of mere food and necessaries.

In this connection he discusses the relative strength of sexual and all other impulses. He regards the former as stationary and the latter as progressive.

“No doubt the sexual impulse creates a constant tendency in the human race to increase till they approach the limit at which the earth could support its population But before we contemplate mankind starting on such a career, we must recollect that a tendency imparted by one part of human nature may be by no means the tendency imparted by the whole of human nature, with all its impulses, but may be modified, balanced, or over-balanced, by the aggregate impulses which act in an opposite direction. And here we must remark, that the sexual impulse continues, at most, stationary. I say at most, for there are not wanting facts and arguments to show that it diminishes as the minds and imaginations of men are directed to other objects. . . . But the impulses which lead to its control are not stationary — they go on increasing in number and joint power as the objects of men’s desires increase, as the mass of what may be called their secondary wants increases.”²

¹ *Literary Remains*, p. 165.

² *Literary Remains*, pp. 469-470.

He strongly emphasizes the facts that as secondary wants multiply among the different classes of society, motives of prudence in regard to marriage multiply with them; that weights are increased in one scale while those in the other continue stationary; and that each additional want creates an additional motive for forbearance while the impulse towards marriage remains the same.

Jones' doctrine of secondary wants is based on his theory of consumption, in which he regards imitation as an important factor in the progress of consumption. The fashion of dress and furniture of the nobility and gentry of one age are found to have passed, and to prevail among the peasantry of a succeeding generation.¹ He points out the cumulative effects of imitative power in consumption, thus anticipating Veblen's theory of the leisure class. He also appeals to history to show that in his time people are not worse fed than their forefathers, nor in England are more laborers employed in producing food than formerly.

After discussing the defects of Malthus' division of checks on population, Jones takes up the theory of arithmetic and geometric ratios which, he declares, is incorrect. "Let a country, of which the members have been stationary or increasing slowly, double its members; in twenty years the proportion of fertile females in the young population will be less than it was when the movement began. There will be a larger proportion of female children, under the age of childbearing, and the population will not possess exactly the same powers of doubling, in the given period, that the old one possessed."² He also refuses to accept the arithmetic ratio, saying that though this may be true in particular cases, and generally at some future time, it is not true in all cases, and at all times. However, Jones' arguments against Malthus are not strong, but often evasive. He did not point out that Malthus seems to have

¹ *Literary Remains*, p. 236.

² *Literary Remains*, p. 150.

overlooked the point that to increase in a geometrical ratio is not necessarily the same thing as doubling every twenty-five years. Nor did he attack Malthus on the arithmetic ratio with the significant fact that since in North American Colonies the population increased for a long period in a geometrical ratio, then this population must have been fed, and consequently the annual produce of food must also have increased in a geometrical ratio.¹

On the relation between the increase of wages and the growth of population, the economists of his time have sometimes contended, and sometimes taken for granted, that after certain intervals the prices of articles consumed by the laborers would determine the wages of labor by reacting on the supply of labor and thus affecting the relations of demand and supply of labor in the market, which, in turn, at any given time, regulate the price of labor. According to these classical economists a rise in real wages, whether occasioned by a rise of the money amount of the laborer's wages, or a fall in the prices of the articles he consumes, will always give an impulse to population, and will stimulate its vast powers of rapid increase till the numbers of laborers will be greater relative to the demand, so as to bring down the real wages to the amount of commodities which he consumed before the rise took place. Jones considers such a supposition erroneous. Against this "iron law of wages" in relation to population he argues on the basis of social and other considerations.

"When speaking of the progress of population, its movements are frequently reasoned upon as if they depended wholly on the changes in the rate of wages. This is not correct; for various causes, moral and physical, besides the changes in the rate of wages, may contribute powerfully to influence the tendency of population to increase or decrease

¹ Edwin Cannan: *History of the Theories of Distribution and Production*, p. 140.

more slowly or more rapidly at different periods of its existence."¹

Then he sets forth his general principles that every increase of real wages may either accelerate or retard the progress of population, and that every decrease may also either accelerate or retard that progress. To this general principle he is cautious to make one exception, in the event that the population is already at the minimum of subsistence, and a decrease takes place in the rate of wages. Such a decrease, at such a time, necessarily retards and cannot possibly accelerate the progress of population. This single case excepted, a rise of wages may lead to an increase in the population, as it obviously supplies the means of maintaining larger numbers, or it may lead to the gratification of secondary wants, and so obstruct its increase. A fall of wages may check the increase of population, but such an effect may be obviated by relinquishment of secondary gratifications, which would preserve the means of subsistence undiminished in quantity.

Thus we see that in every case in which the people are not living on the minimum of subsistence, the same variations in the rate of wages may, according to circumstances, act on the rate of increase or decrease of population in two different and opposite directions. There are four possibilities.

A. A Rise in Wages.

1. It may either multiply artificial wants and refined consumption, leaving the rate of increase of population stationary; or
2. It may be extended in primary necessities and accelerate the rate of increase of population.

¹ *Literary Remains*, p. 167.

B. A Fall in Wages.

1. It may either diminish the consumption of articles induced by artificial wants, leaving the rate of increase of population stationary or accelerated; or
2. It may diminish the consumption of primary necessities and retard the rate of increase of population.

In attempting to point out the circumstances which help to determine whether changes in the rate of wages shall affect the numbers or the habits of the people, Jones first examines those which determine the results of a rise in the wages of labor. Arranged in order of importance, the "form" in which wages reach the hands of the laborer should be mentioned first. When wages are paid in kind, the effect of a rise in wages is to accelerate, and of a fall of wages to retard, the increase of population. But this is not so when wages are paid in money. A rise of wages paid in produce is not so likely to create more secondary wants as to administer to the primary wants of additional numbers. If one laboring family receives an additional income in the shape of raw produce, and another in the shape of money, it seems obvious that the receiver of the money income is more likely to add to his list of comforts than the receiver of raw produce. It is a most natural and easy course for this last-named individual to increase his consumption of primary necessities. He has received a direct addition to his means of subsistence. The receiver of money has in his hands what may as easily be used to enlarge his maintenance. In all cases, the receiver of wages in money will have greater facilities for buying comforts and luxuries than the receiver of wages in produce. Jones concludes that Malthus was wrong in urging that, because a deficiency of the means of subsistence is a check to population, therefore a superfluity of them must necessarily be a spur to it.

The second modifying circumstance is the length of time during which the change of wages is brought about. A sudden rise of wages will be apt to cause a forward movement of population. A gradual rise of wages will beget a desire for secondary wants. The time consumed in effecting any given change in the rate of wages is very important, because in whatever shape wages are received, if a change of habits is to follow any rise, the progress of the rise must be gradual, and sufficient time must elapse to enable the population both to acquire new tastes and wants, and the habit of considering a command of the means of gratifying them essential to comfort and respectability. A sudden increase of means will ordinarily be used only to gratify more fully tastes and wants already familiar.

The third factor affecting the influence of a rise in wages on numbers of the population will be the abundance or the scarcity of commodities suited to the gratification of secondary wants. To create habits of consumption among a population in possession of increasing wages, several requirements will be necessary. The people must acquire a knowledge suited to their tastes. Cheapness is the main instrument of familiarity with humble comforts. Commodities must be presented to the people at such a reasonable price as to be within the reach of the successive additions to their means. In a country which has no domestic manufacturers, the first step, certainly, towards familiarizing the people with them is to admit the best and cheapest that can be procured from abroad. The next step is to remove all obstacles which obstruct the production of home commodities suited to the new and growing wants of the people.

In the fourth place, the existence or non-existence of many classes approximating, but not confounded with, each other, and of all intermediate classes between the highest and lowest ranks of society, will have great influence in determining the effects of a rise in wages on the size of the population. The presence of numerous gradations in the rank and wealth of the population will develop imitative

power in consumption very easily. All classes in the society will form a long chain, conveying by a sure and gradual communication some of the feelings and habits of the highest successively downwards to the very lowest ranks. The influence of this fact on the habits of the laboring classes during an advance of wages becomes necessarily greater as the increased means can be applied to the acquisition of comforts and luxuries.

Fifthly, the degree of civil liberty enjoyed by the people and the hope of elevation into the upper walks of society will be a powerful motive to the deferring of marriage and hence of an increase in population. If there are laws which impede changes in the occupations of families and if there are differences of ranks perpetuated and enforced by habits, imitative power and foresight of a people will not be encouraged.

The sixth circumstance will be the influence of parents in determining the age of marriage of their children. In addition, the facilities for investment of the savings of the laboring class will have great influence upon the growth of their numbers during the advance of wages. And the best factor is the extent and nature of the education of the laboring classes. This question of education enters largely into all views of the causes which promote foresight and self-respect among the people.

On the other hand, the effects on the size of the population of falls in the wages of labor will be conditioned, according to Jones, by the same circumstances as those that influence the results of a rise. Thus, if the fall of wages is sudden, it will be injurious to the health of the people; if gradual, it will be less harmful. As to the other circumstances, a reference to what we have said of their operation during the process of a rise will sufficiently indicate their tendencies and influences during a fall.

In summary, it may be said that Jones discussed in his theory of wages two problems, the doctrine of the wage-fund and the principle of population. He did not offer a

general theory of wages. In his first group of laborers, the hereditary occupiers and tenants, he considered wages as a "flow" rather than a "fund." They are composed of food and necessities, and their amount is fixed by rent contracts with the landowners. The wages of the second group of laborers, the hired dependents, are also derived from current income, not from capital. These wages may be paid either in terms of raw produce or in terms of money. Only the wages of the third class of laborers come from capital. Here he offered a demand-supply theory of wages.¹ Against the rigidity and predetermination of the wage-fund Jones argues that wages are various and different. He thus questions rather the scope of the classical doctrine than its validity where the assumed conditions are to be found.²

Economists of his time often discussed the problem of population in connection with the law of diminishing returns. But Jones was interested in the relationship between the fluctuations of wages and the size of the population. He set forth his doctrine of secondary wants as a real check to the growth of numbers. He examined the relative strength of human impulses during the progress of civilization, and emphasized the instinct of imitation as an important factor in the progress of consumption.

¹ He says the price of labor, like the price of every other commodity, depends at any time and moment on the supply of labor in the market compared with the demand for it. (*Literary Remains*, P. 146).

² E. W. Taussig: *Wages and Capital*, p. 210.

CHAPTER VI

THEORY OF PROFIT

I. *The Source of Capital*

WE have mentioned that Jones' theories of rent and of wages, though appearing in his *Distribution of Wealth*, were discussed from the viewpoint of production. Similarly, his theory of profit is largely a theory of production rather than an analysis of factors determining the amount of profits.

In Jones' theory of profit we notice three differentiating and important characteristics. In the first place, the economists of his time all looked upon circulating capital as the most important part of capital, and upon the funds for the maintenance of labor as almost the only component of that circulating capital. Fixed capital was sometimes so completely forgotten that capital could be used to indicate the funds for the maintenance of labor only, machinery being put in a separate category. Ricardo, in the preface to his book, makes machinery a requisite of production, in addition to capital.¹ It was Jones who emphasized the importance of auxiliary capital in the production of wealth.

In the second place, Jones maintained that capital is not accumulated solely from the profits of stock, and that it is not necessarily true that the accumulation from profits will be great where the rate of profits is high, and small

¹ "The produce of the earth—all that is derived from its surface by the united application of labor, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the laborers by whose industry it is cultivated." Ricardo: *Principles of Political Economy and Taxation*. p. 1. (Gonner's Edition).

where the rate of profits is low. His criticism of the contemporary theory of the accumulation of capital has been noted and appreciated by later writers.¹

Consequently, in his theory of profit, he discusses three problems, namely, the source of capital, the accumulation of capital, and the function of capital. Capital consists, as he conceives it, of all such commodities as are employed in producing wealth, or are advanced towards the maintenance of those who produce wealth. Capital is something saved from revenue, and employed for the purpose of producing wealth, or with a view to profit. Jones put more emphasis upon the production than upon the distribution of wealth.

Capital, being something saved from revenue for the purpose of assisting production, the sources of capital consist of all the revenues of the population of every country from which it is possible that any portion can be saved. Hence, it follows that whatever is a source of revenue may be a source of capital. The particular classes of revenue which contribute most abundantly to the progress of national capital change at different stages of their progress, and are found entirely different in nations occupying different positions in this progress. Since different revenues contribute in unequal proportions to the accumulation of capital of different nations at different stages of their economic progress, profits are never the sole source of accumulation, and what is more, they are the main source of such accumulation only in a few rare instances.² The earliest contributions to capital must be from wages. Man

¹ On the subject of accumulation, Prof. Nicholson says, "Special attention may be called to the criticism by Jones of previous writers." (*Dictionary of Political Economy*, Vol. 1, p. 7.).

² He said that the error of regarding capital as accumulated solely from the profits of stock results from views confined to the state of things in England, where it is chiefly so accumulated, instead of extending to the rest of the world, where it is not so accumulated to any considerable degree. (*Literary Remains*, p. 226).

originally possesses nothing but his labor; whatever revenue he procures must be the reward of his personal exertions. The reward of personal exertion is wage, and wages are, necessarily, the earliest source of accumulation.^a They are a considerable source of accumulation in the less advanced nations. Even in England, the first savings deposited in the Saving Bank of England are a proof of this fruitful source of capital. Wages are clearly, therefore, a source of accumulation which is not to be neglected when we are calculating the capacities of any nation to increase its capital.¹

The next source of capital, almost contemporaneous in appearance with wages, is the rent of land. When land has been appropriated and cultivated, Jones holds, such land yields to the labor employed on it more than is necessary to continue the kind of cultivation already bestowed upon it. Whatever it produces beyond this is surplus produce. This surplus produce is the source of primitive rents. Over a considerable part of the globe these primitive rents are one great source of the capital actually employed in agriculture. Even in an advanced state of economic organization, like England, the rent of land remains a most important source of national accumulation. Jones maintains that it is important to remember that there is a long stage in the progress of the productive powers of nations, that stage, indeed, at some point of which most of the nations of the earth are to be found, during which the accumulations from profits necessarily bear a small proportion to the accumulations from wages and rents, simply because that proportion of the revenues of the people which is derived from the profit of stock is exceed-

¹ Prof. Bowley has estimated that immediately before the War and for a long time previously some 62½ per cent of the income of the United Kingdom was derived from work and some 37½ per cent from property. (Quoted from Pigou's *A Study in Public Finance*, p. 145).

ingly small when compared with the revenues derived from wages or from rent.¹

When a considerable advance in the powers of national industry has actually taken place, profits rise into comparative importance as a source of accumulation. On profits, as a source of accumulation, Jones makes the bold statement that the power of a nation to accumulate capital from profits does not vary with the rate of profits; that is, it is great where the rate of profit is low, and small where the rate of profit is high.

“If we look back on the past history of England, we shall find that during the period in which her wealth and capital have been increasing the most rapidly, the rate of profits has been gradually declining; and if any other nations are to proceed from their present position to hers, it is, therefore, not merely possible, but judging from her example, probable, that their increasing quantities of national capital will be accumulated with a declining rate of profit.”²

He makes a distinction between the rate of profits and the mass of profits,³ and denies that the national power of accumulation from profits is dependent upon the rate of profits. Let us assume, he says, any two nations to have equal populations; the power of each nation to accumu-

¹ Jones' opinion has been adopted by Marshall in his *Principles of Economics*, p. 229.

² *Literary Remains*, p. 370.

The historical fall in the rate of interest is seen to be the natural result of increase of capital in proportion to population, unaccompanied by the discovery of new and profitable means of utilizing capital sufficient to counterbalance the other force.

³ He states that the rate of profits is the proportion which the revenue to the owners of stock bears to the amount of capital they employ; while the mass of profits is the proportion which the revenue derived from the capital employed bears to the population and to revenues of every other description. (*Literary Remains*, p. 52).

late capital from profits would depend on the relative masses of the profits produced by them, which again would depend not alone on the rate of profit in each, but on the rate of profit taken in combination with the relative quantities of capital employed. Here Jones has only the mass of capital in mind; he even declines to accept the rate of profit as a factor in encouraging accumulation. To him, the conception of aggregates is more important than that of averages. So he emphatically decries the notion that a declining rate of profits is necessarily an indication of a diminishing power to accumulate from profits.

In speaking of the sources of accumulation, Jones has hitherto dwelt exclusively on the three great primary divisions of revenues. But an estimate of the accumulations of the owners of these, he says, will not comprehend all the incomes from which additions are actually made to the capital of nations. In order to calculate the power of nations to accumulate capital from their various sources, we must trace those revenues into the hands of the persons who have ultimately the power of saving or of consuming them. There is no kind of revenue, from the beggar's alms to the sovereign civil list, which may not contribute something to the accumulating capital of the country.¹

II. *The Accumulation of Capital*

As to the capacity to save, it is evidently limited by the extent of the surplus revenues of every branch of the population. If these revenues are on the whole abundant, the national capacity to accumulate capital is great; if, on the other hand, they are scanty, the power of the nation to accumulate capital is proportionately small. But the power being given, the will to save may be different among different people. Jones set forth five circumstances which determine the inclination to accumulate.

¹ *Literary Remains*, p. 38.

The first circumstance will be the difference of temperament and disposition in the character of the people. To abstain from present consumption with a view to future advantage obviously requires some degree of prudence, of foresight, and some power of self-denial, and with these moral qualities, it may be said, different nations are, from physical constitution, very differently endowed. But Jones argues that men are much more the creatures of circumstance in which they are placed, than, at first sight, they seem to be; and if, in all other respects, the communities of the various nations were placed in the same position, it is doubtful whether their accumulations would indicate any powerful influence of a difference in moral or physical constitution. At all events, such differences, if they exist, can not be accurately appreciated until the different populations can be observed under precisely the same circumstances.¹

The second circumstance which determines the inclination to accumulate will be the differences in the proportions in which the national revenues are divided among the different classes of the population. We shall find that powers and facilities to accumulate varying quantities of capital to be employed in increasing the fertility of industry often depends very much on institutions springing up in the infancy of societies, which will affect the distribution of their wealth, and upon all the relations and means of the productive classes. Here Jones states three propositions. Where the revenue of each individual is extremely scanty, there is obviously less power of accumulating than where revenues of the same amount are distributed among a smaller number of persons. Again, if there is to be any saving at all, the revenues of individuals must, on the average, be rather more than sufficient to maintain them in their position in society, and if there is to be any considerable saving, the revenues of individuals must considerably ex-

¹ *Literary Remains*, p. 375.

ceed that point. Lastly, equal amounts of revenues are distributed in different countries, not only in different proportions, but among classes of society, different descriptions of consumers, and this makes a very considerable difference in the tendency to accumulate capital.

The third circumstance which determines the power to accumulate deals with the different degrees of security in the enjoyment of accumulations. Any kind of violence, whether proceeding from bad government or a badly organized condition of society, is an impediment to the accumulation of capital. This kind of insecurity exists long in the career of many nations, and is the cause of stationary productive powers over a considerable proportion of the earth's surface. It is impossible to read the history of feudal times in Europe without seeing how completely the lawless violence of the feudal barons must have made the security of the cultivators precarious. In Asia, the insecurity of property, which results from special types of political institutions, is a more lasting and extensive source of mischief. However, open violence is not the only source of insecurity for the enjoyment of accumulation: a bad system of taxation may produce the same effects.

Fourthly, different facilities for the investment of savings may affect the accumulation of capital. Supposing the safety of every man's accumulations secure from open violence of fiscal wrong, we shall even then find different countries differing much in the facilities they offer for the investment of such savings, for example, the creation of savings banks provides facilities for stimulating accumulation. Other things being equal, mere differences in the facility of investing savings promptly, safely, and profitably, would create very appreciable differences in the amount accumulated in a given time. The last circumstances which determine the capacity to save will be the influence of facilities for improving the social position of the accumulator. When there is perfect security for the enjoyment of accumulations, when there are good facilities for investing

them, and when obvious means present themselves for making such accumulations the means of advancing the social position of the saving parties, then all the circumstances are combined which impart the will and desire to save through all rank of population. But in the progress of nations, obstacles to any change in the position of large masses of the people are practical and very efficient impediments to the spread of the spirit of accumulation. The economic machinery and political institutions of the majority of nations are opposed to facility in changing social status. Jones mentions three kinds of obstacles in Europe, namely: the distinctions of blood and race, the paucity of non-agricultural occupations, and vicious legislation and regulations as to the privilege of carrying on these occupations.

After a discussion of the circumstances conditioning the accumulation of capital, Jones considers the increase of capital as a consequence of social improvement in the earlier stages of the economic progress of nations. Since social improvement is a great factor for the encouragement of accumulation, it should be emphasized more than the sudden importation of capital from abroad. In this case he seems not in favor of foreign loans which might be used to improve the internal social conditions.

“It is to be remarked that an increase of capital is, in the first instance, the effect and not the cause of social improvement; afterwards they move in a circle, mutually producing and produced. And hence it is that capital imported from abroad into a country can never augment the efficiency of labor so extensively or so permanently as capital generated and accumulated upon the soil itself.”¹

¹ *Literary Remains*, pp. 12, 30.

III. *The Function of Capital*

When discussing the function of capital Jones first makes a distinction between two kinds of capital. The first is supporting capital, used for the maintenance of laborers, and the second is auxiliary capital, employed in increasing the efficiency of their labor. He discusses different effects of capital employed in these two different ways rather fully in connection with his theory of rent. The first difference between the application of capital to industry in the support of additional laborers and that in the shape of implements or anything which is the result of past labor as auxiliary to the efforts of the laborers actually employed is that in the first case the quantity of human power, compared with the capital employed, remains unaltered, while in the second case, it is invariably increased. If a capital is used in employing three men on the soil, and then that capital is doubled, and six are employed, the power employed in production is doubled, but it is not more than doubled; we have no reason for assuming that the labor of the three men last employed will be more efficient than that of the three men first employed. But if, instead of using the new capital in employing three fresh laborers, means are found of applying it in some of the shapes of auxiliary capital to increase the power of the three laborers already employed, we may then safely take it for granted that the efficiency of the human labor employed has been increased, and that the three men assisted by this auxiliary capital will have powers which six men employing all their power directly to the soil would not possess.¹ It is admitted that in agriculture, the effect of auxiliary capital in strengthening human power is less obvious, perhaps, than in manufacturers.

The second difference between the effects of the employment of auxiliary capital, and of capital applied directly to the support of additional labor, is that when a given quan-

¹*Distribution of Wealth*, p. 207.

tity of additional capital is applied in the shape of the result of past labor, to assist the laborers actually employed, a less annual return will suffice to make the employment of such capital profitable, and, therefore, permanently practicable, than if the same quantity of fresh capital were expended in the support of additional laborers. In other words, the difference between auxiliary and the supporting capital lies in the duration of reproduction.¹ Jones affirms that the direct benefit of supporting capital is to help a work to be continuous; that it is limited by the amount of population and the rate of wages, and that it prevails only in certain undeveloped nations. He emphasized the accumulation of auxiliary capital, which is very important in tracing the progressive wealth of nations. The progress of auxiliary capital both increases the command of man over the powers of the soil relatively to the amount of labor directly or indirectly employed upon it, and diminishes the annual return necessary to make the progressive employment of given quantities of fresh capital profitable.

In his discussion of the productive power of nations,

¹ Jones gives the calculation as follows:

"Let us suppose 100 £, employed upon the soil in the maintenance of three men, producing their own wages, and 10 per cent profit on them, or 110 £. Let the capital employed upon this soil be doubled, and first let the fresh capital support three additional laborers. In that case, the increased produce must consist of the full amount of their wages and of the ordinary rate of profit on them. It must consist, therefore, of the whole 100 £, and the profit on it; or of 110 £. Next, let the same additional capital of 100 £ be applied in the shape of implements, manures, or any results of past labor, while the number of actual laborers remains the same. And let this auxiliary capital last on the average five years: The annual return to repay the capitalist must now consist of 10 £, his profit, and of 20 £, the annual wear and tear of his capital: or 30 £ will be the annual return necessary to make the continuous employment of the second 100 £ profitable, instead of 110 £, the amount necessary when direct labor was employed by it." (*Distribution of Wealth*, p. 211).

Jones set forth three factors affecting the efficiency of labor, namely, the continuity with which it is applied; the skill by which it is directed; and the power by which it is aided. All these causes are conditioned by the employment of capital. It is self-evident that labor, steadily continued, must be more productive than that which is desultory. Besides, the time obviously lost by an intermission of labor, time is always indirectly lost in discontinuing one species of exertion and changing to another. It is capital, or the past results of human labor, that fulfills the conditions on which its continuity is alone possible.¹ Secondly, the efficiency of human labor is affected by the degree of knowledge and skill by which it is directed to effect the purpose of the producer. An ignorant savage might hammer a whole day on a piece of cold iron, and not produce a useful object since he lacked a knowledge of the effects of heat on the malleability of the metal. If the continuity of labor is practically the result of the employment of capital in production, the skill with which it is exerted is likewise so. The mind and thought employed in directing human industry is either the mind and thought of the capitalist or that of a skilled laborer paid by him for the purpose. As continuity and skill in the exertion of labor are dependent on the progress of the accumulation of the past results of labor, the third element of efficiency — the power with which it is exerted — is yet more obviously dependent than the other two, since the national mass of auxiliary capital may increase indefinitely, and at every step of such increase there is an increase of mechanical power.

Two great influences of auxiliary capital upon the productive power of nations are mentioned by Jones. The first is the great increase in the relative numbers of the non-agricultural classes. This means that more capital instead of more laborers will be employed in the cultivation of the soil when the factors in production are apportioned.

¹ *Literary Remains*, p. 12, 30.

The increase of auxiliary capital is, of course, not the only circumstance which affects the proportionate number of the two great classes of cultivators and non-cultivators.¹ Any cause which increases the efficiency of the actual cultivators may do so, but an increase of auxiliary capital is the only cause which, in the ordinary progress of civilized nations, we are sure must exercise a progressive influence in this respect.

The second influence of auxiliary capital is that its increase adds to the revenues of the intermediate classes. The wealth, the influence and the numbers of capitalists in the community will be proportionately increased as auxiliary capital accumulates. Jones remarks that we can watch the growth of capitalists, and observe them at first scarcely distinguishable as a peculiar body, then separating themselves slowly from the mass of laborers or landowners with whom they were before confounded, assuming a gradually increasing share in the direction of national industry; and influencing at last, in the most decisive manner, not only the productive powers, but the social and political elements of nations. In tracing the economic progress, or in analyzing the respective powers of different nations, he finds the distinctive division of wealth called capital playing a most important part in modifying the ties which connect the different classes of the community, and in determining their respective powers.² The relative increase in the num-

¹ Jones regards the agricultural surplus as the most important thing; its amount limits the number of the non-agricultural population of the earth, and its distribution determines the occupation of that portion of the population. This might be true before the development of capitalistic society. In an age preceding the distinctly modern epoch, standards of consumption were, for the most part, definite. The surplus of food produced was a rough indication of the probable magnitude of the non-agricultural population. But in modern society, on the contrary, wants are so complex and subject to such great variations that it would be hazardous to predict the result of any but the most striking changes in income.

² *Literary Remains*, p. 556.

bers of the non-agricultural classes, and the relative increase of the revenues and numbers of the intermediate classes are both changes of considerable importance in the progress of society.

The use of auxiliary capital will also mark the degree of civilization of different nations. Nations advanced in wealth expend much more of their capital in aiding labor than in paying wages.

“In England, the amount of capital paid to laborers bears a proportion to the amount of auxiliary capital of one to five; while in Russia, capital is almost equally divided between wages and aids to labour.”¹

In summary, Jones' theory of profit covers a discussion of the source of capital, the accumulation of capital and the function of capital. All these topics he closely relates to the theory of production of wealth. He did not explicitly give the origin and cause of profits. Nor did he offer any distributive theory of profit in a definite form. Contention that capital increases efficiency in the production of wealth seems to imply that the share paid to the capitalist is due to the productive power of capital — a productivity theory of interest. In tracing the source of capital he just touched the idea of an aggregate profit which depends upon the amount of capital as well as upon the rate of interest. This implies that his distributive theory of profit is not a theory of profit in percentages, but rather a theory which determines the proportions in which the mass profits are divided among the various capitalists.

¹ *Literary Remains*, p. 229.

CHAPTER VII

JONES' OTHER THEORETICAL CONTRIBUTIONS

I. *The Balance of Bargain System*

IN order to comprehend the whole system of Jones' political economy it is necessary, in addition to his theory of rent, wages, and profits, to discuss his historical work on the balance of bargain and his theory of taxation, which includes the question of commutation of tithes. These theories do not deserve the prominence of his other ideas, previously treated, but their significance should not be belittled and no exposition of his work can be complete without something being said on them.

Jones' institutional economics led him to discuss the primitive political economy of England. He was the first to coin the phrase "the system of the balance of bargains."¹ He was also the first to direct his attention to this phase of the whole mercantile system. Although his article first appeared in the *Edinburgh Review* in April, 1847, the idea had already been discussed in his lectures at Kings' College in 1833. "To draw, then, to this noble realm at least its fair share of the world's stock of gold and silver, two systems prevailed at different periods of our story; but although these systems had this common object, they differed much in their means, their working and effects, and ought never to be confounded, although they are confounded very generally, under the name of the mercantile system, which only made its appearance late, and did not last for a century. Its various parts (of the older system) may be ac-

¹ In a modest manner he said that this system might be called, if we wish to give it a name, the balance of bargains system. (*Literary Remains*, p. 547).

curately traced in our statute book and ancient documents, but as a systematic whole, it has, I think, escaped the notice of our historians."¹

Adam Smith had discussed the aim of the mercantile system in his *Wealth of Nations* (Book 4) but he did not deal much with the means by which the mercantilists were to realize their aim. Jones was the first to bring to light the regulations and various measures of the mercantile system. In criticizing that school, writers frequently emphasized the confusion of precious metals with national wealth as the source of their error. But Jones attacked this problem from another angle, with more insight and more deliberation. He regarded the absence of military conquest and economic imperialism as the logical results of the earlier English legislation, which adopted restrictive means of obtaining precious metals. It was a peaceful method; it had its own justification. "Admitting the non-productiveness of our own mines, and putting conquest and spoliation out of the question, the conclusion seemed very reasonable."²

The provisions of the balance of bargain system divided themselves into two groups: the constructive plan contained those by which it was sought to bring bullion into the country; the preventive plan, those by which it was sought to prevent it from going out of the country. The first plan must precede the second one: the problem is, first to get the bullion, and then to keep it in the country.

Two organizations were used for the constructive purposes—the Staple towns, and the corporation of the Mayor and constables of the Staple. The former was universal on the continent, the latter peculiar to England. The Staple town was named, it is supposed, from the German word *Stapelen*, to heap up, because, as they were perpetual fairs, commodities were to be found heaped up all the year round. The system of the staple consisted in part of the principle

¹ *Literary Remains*, p. 54

² *Literary Remains*, p. 295.

of establishing fairs and markets. It was necessary for mutual protection and for regulation of trade and prices that merchants should form a company, and it was also profitable to the king, as both increasing the customs revenue and facilitating its collection.¹ The measures for carrying out the preventive plan, according to Jones, were four in number, namely, the establishment of mints, the searchers and the customers of the outposts, the King's exchanges, and the statutes of employment. Concerning the logical

¹ Before the reign of Edward I the export trade of England was principally carried on by foreigners, of whom the most important were the Hanse merchants. It was in 1313 that this plan of both home and foreign staples was first adopted by England. The staple commodities of England were wool, hides, leather, lead and tin. Wool, especially, was the subject of particular care; it was the sovereign treasure of England, with which she was said to keep the whole world warm. The Mayor and the constables were authorized to select some towns and to punish by fine all dealers carrying wool or wool fells to any other place, and were authorized to change, for a time, the Staple towns at their discretion. The reign of Edward III exhibits more strikingly than any other the influence and results of this plan on the finance and prosperity of the country. He established staple courts, staple law, and staple privileges in various towns of England and Ireland. His extraordinary resources in the war with France seem to have been almost entirely derived from duties on the export of wool. The weight of wool for export was to be certified by the Mayor, and at the port it was to be again weighed, and an indenture of the weight made between the Mayor and the custom officers.

Export trade was restricted to aliens under the pain of death. (In this year the Ordinance of the Staple was issued). In 1353 there were ten Staple towns in England. The appointment of home staples only was thought to be advantageous to England because it would break the monopoly of Flanders, and the consequent competition would raise the price of wool, while the foreign merchants would bring in gold and silver of other lands and this the increased revenue from the customs, which was heavier for aliens than for Englishmen, would bring in large supplies. But the high duties, as well as the extensive smuggling, prevented the success of the home staples, so in 1363 the Staple was established at Calais where until 1558 it continued to be the most constant and even the sole English staple.

order of these preventive methods, the King's exchangers, and the searchers and the customers should be mentioned first. The King's exchanger was a commercial supervisor in the modern sense, with almost unlimited power over the money transactions of the country. His chief duty was to determine the value of all foreign coins in English money, and the foreign merchant who landed with foreign money in his possession was bound to go to the officer for exchange. In addition to this, the exchanger was authorized to handle the negotiations of foreign bills of exchange. The customers were fiscal agents whose duty it was to collect revenue.

The mint was established for two purposes. In the first place, when the foreign coin had reached England, it might be re-exported. In the second place, it might be estimated at some value different from that which the King declared its true value when measured against English coin. The former question was a kind of economic illusion, while the latter involved a legal theory of money. In those days it was believed to be one of the most precious prerogatives of Kings to fix the value of the coinage. No one had the power to interfere with this prerogative, and, according to this principle, no foreign coin should be used in England for any other purpose than that of being exchanged for English coin at the King's mint, or by the King's exchangers. The sovereign always set his own value on his own coin, and no foreigner interfered with his decision. After the par of exchange had been determined, the foreign money was estimated and recoined, and, the King's high prerogative fully vindicated, a next step was necessary to prevent the exportation of money. It was decided that before foreign merchants left the country they must give satisfactory proof that they had employed all the money they had received for their imported cargoes in the purchase of English commodities, so that no money remained in their hands to be carried away. The various acts passed to enforce the rule are called the Statutes of Employment. The

most effective machinery for the inspection of all such dealings was the "host."¹

A still more peculiar economic phenomenon was the regulation of the sale of pilgrims' bills. For if the selling of pilgrims' bills were in the hands of foreigners they may contrive to smuggle money abroad, and hence it was decreed that whenever such a bill was negotiated, the foreigner should give bond to the exchequer that he would within a given time export to the continent a cargo of English commodities fully equal in value to the money he had received for the bill.

But these regulative measures could hardly be carried out consistently. As soon as the situation changed, the regulations could no longer be maintained. The first blow struck at the system lay in the growth and changed circumstances of England. These circumstances, according to whether they were economic forces or political changes, may be arranged under four heads: the establishment of merchant adventurers which should be reckoned with the foremost among the forces which threw the system of the balance of bargain out of gear; the use of the foreign bill of exchange; the degradation of the currency, and the capture of Calais by the French. After the balance of bargain system was crippled, the balance of trade system was introduced to take its place.

¹ The Statute of Employment provided that all merchant strangers coming to traffic in any port in England should be under the supervision of certain persons called "hosts," to be assigned to them by the officers of the town. The qualifications of hosts were that they must be creditable persons, expert in trade, and trading in the commodities of their guests. The host was to be privy to all the bargains made by the stranger. He was to keep an accurate book of every bargain made by the foreigner. If any foreign merchant neglected to report himself as needing a host, or, having one, failed in obedience to him, he was to be put in prison. These measures not only prevented the exportation of money but also encouraged domestic industry and opened a ready market.

The essential characteristic of the balance of trade system was the constant accession of fresh masses of bullion through foreign trade. It entirely abandoned and repudiated all the expedients and machinery by which the earliest framers of the balance of bargain system had attempted the same object. Jones gave no less credit to Thomas Mun, who was the first to attack the balance of bargain system, than to Adam Smith's work in minimizing the doctrine of mercantilism. He remarked that it took several centuries to expel the fallacy of the balance of bargain system, just as it took hundreds of years to repudiate the mercantile policy. His method was always to discover the origin of a system and then trace its downfall. His historical treatment of economic institutions from primitive to modern times reveals the continuity of economic thought and the dynamics of economic conditions.

II. *Theory of Taxation and Tithes*

Taxes, are, according to Jones, the shares of the government in the revenue of a country, the sources of revenue being rent, wages, and profits.¹ He is in opposition to any single system of of taxation and claims that no portion of wealth annually produced and distributed is marked by the peculiarity of yielding no revenue to the State. "We shall attempt to observe the limits of the financial fruitfulness of each class; and to determine the points at which an attempt to press further upon a single division ends in a real burden upon one or both of the others."²

He points out two errors in the system of single land tax.³ In the first place, rent consists of surplus profits only in a

¹"Tracing society then once more through its many forms and many stages, we shall endeavor to point out what in each is the nature of revenue drawn by the State from the incomes of the laborers, the landowners, or the Capitalists." (*Distribution of Wealth, Preface*, p. 28).

²*Distribution of Wealth, Preface*, p. 28.

³*Literary Remains*, p. 273.

country of capitalists whose capital is endowed with nobility, such as England. This is not so in a country of capitalists whose capital is immovable, like Ireland. Nor is it so in a country where no classes of capitalists are found, as India. In fact, to the actual state of things over a greater portion of the globe, the definition of rent as surplus profits is inapplicable. And even in a country where rents are really surplus profits, it is highly inexpedient to absorb rents by taxation. For a portion of rent is commonly expended by landlords in bettering their land with drains, ditches, etc., and so adding to its value. In the second place, the surplus profits which are said to constitute rents all over the world are not owing, solely or principally, to the superior quality of the soil. Doubtless the different qualities of different soils is one of the circumstances determining the different amounts of their produce. But it is a circumstance of inconsiderable potentiality when compared with the increase of industry, of skill, and of auxiliary capital.

As regards the tax on profits, Jones declares that profits are taxable till capitalists move their capital out of the country rather than pay a tax upon it.¹ A tax upon profit will diminish capital and in turn a diminution of capital will cause a smaller demand for labor, and, consequently a fall in wages. At what points this result will occur, he admits, is a problem that does not admit of an exact solution.

Of more importance is the subject of a tax on wages. In his theory of population he set forth three problems, the last of which concerns the ultimate incidence of a tax laid on commodities consumed by the laboring class. He maintains that it is impossible to tell beforehand that ultimate incidence of a tax on wages, for this depends upon the effects of the tax upon the growth of population.² As taxes on wages are almost identical with a fall in the rate of

¹ *Literary Remains*, p. 276.

² *Literary Remains*, p. 277.

wages and the abolition of taxes with a rise, their effect is determined by the same laws which regulate the influence of a change in the rate of wages upon the size of the population. It has been mentioned in discussing the theory of population that except on one peculiar occasion any change in the rate of wages may either accelerate or retard the growth of population. Now, suppose a reduction to take place in the rate of wages, in the shape of a tax, under circumstances in which the growth of population would be retarded: the diminution of numbers would certainly raise the rate of wages. In this case, the tax has shifted its incidence from the laborers to their employers, from wage to profits. Again, suppose the same to be laid on wages, under circumstances in which it would not effect the growth of population, but would be met by a sacrifice of secondary gratifications: the tax would not then shift its incidence.

Jones also discusses direct, indirect, and mixed taxes. Direct taxes are those which there is no means of escaping such as the poll tax and appear in the early stages of society. Indirect taxes are those which it is the option of every person to avoid or incur. Mixed taxes are either indirect in form but direct in reality, or vice versa.

In the history of nations rents appear to have been the earliest subject of taxation and an increase of indirect taxation marks an increase in national wealth. Taking the tax system as a whole, he considers the three primary portions of national wealth all taxable. "As it would not be less unjust than foolish to lay the whole burden of taxation upon rents, or profits, so it would be a false charity and a false wisdom to exempt wages altogether from taxes. Nothing is a more sure sign of a vigorous constitution and a healthy state in a country that for every member of the community to be competent to bring some contribution to the general stock."¹ He also touches upon the diffusion theory of taxation: "All these notions about untaxable

¹ *Literary Remains*, p. 280.

classes of men or revenues are utterly delusive. Taxes are not always paid by those on whom they are imposed; their ultimate incidence is not always the same as their apparent incidence; but still there is not one class of society, whatever be its taxation or employment, which can not be made to bear its share of the public burthens."¹

As has been said, Jones administrative capacity and theoretical soundness were shown in his work for the commutation of tithes. Tithes were originally a free-will offering, but gradually became compulsory, first by church law, afterwards by statutes. They were the tenth part, free of the cost of cultivation, of the yearly increase of the land. Such a system was very vexatious to both the farmers and the clergyman.² His interest in this subject before 1831. has already been remarked in his treatment of rent. In his discussion of the Corn laws he held the opinion: "If we suppose the tithe commuted and the poor rates done away with or reduced to a very small sum, then the farmer, in estimating his peculiar burdens, would be relieved from a feeling of indefinite pressure, and from many vague fears of risk and loss, which are kept alive and irritate by the existence of those payments in their present state. Till this is done it is very much to be feared that no corn laws which are really equitable will ever appear to the farmer to give him sufficient protection, while the non-agricultural classes will be but too easily persuaded that they added exorbitantly, and unjustly to the price of provisions."³

He discussed three propositions with regard to commutation of tithes:⁴ first, that a commutation is desirable;

¹ *Literary Remains*, p. 567.

² The inconvenience caused to the clergy by their being obliged to receive their dues in kind, and to collect them themselves into their tithe barns from the different farms in the parish, often produced most undesirable friction between tithe-owners and tithe-payers, between pastors and their flocks.

³ *Distribution of Wealth*, p. 299.

⁴ *Remarks on the Government Bill*, 1836.

second, that the future payments, in lieu of tithes, shall be applied to the same purpose and paid to the same persons as the present tithes; third, that the first step in the process shall be to transfer the liability to future payments, from the tenant to the landlords. He also defended the Government Bill by mentioning three objects of the government in the commutation of tithes. The first object was to set the capital and industry of the country completely free to extract the greatest possible amount of produce in the best manner from the soil. The second object was to remove, at the same time, any obstacles created by the actual mode of collecting their revenues. The last purpose was to promote the efficiency of the religious instruction of the people.

The landlords, the second party in the commutation of tithes, were affected directly by the measure, in a pressing manner. The prospect of removing obstacles to the freest employment of capital by the occupier of the soil and of promoting a general advance of rent were sufficient reasons for the anxiety which the landowners generally expressed for a permanent settlement of the tithe question. But the third group in the tithe question, the clergyman, had some interests of an opposite nature. They had no direct pecuniary object to gain by effecting a commutation. Considering the question as one of mere profit and loss, they would clearly gain by postponing commutation or eluding it altogether.

Jones also discussed the causes of the unpopularity of clerical income derived from this source. Tithes are represented to the tithe-payer in the form of a bread tax, enhancing the expense of cultivation. With the increasing produce of the soil, both rent and tithes increase; but they increase at very different rates: the rent slowly, the tithes faster. Where more agricultural produce is obtained by the outlay of more capital, it is found by experience that a greater proportion of the whole produce must be retained by the cultivator to replace his advances, and pay his profits on them; and the rent, although becoming gradually larger

in positive amount, constitutes step by step a smaller relative proportion of the gross produce. Rent, consisting of a diminishing proportion of the raw produce, increases more slowly than tithes, which, however, greatly the produce may increase, consist always of the same proportion of the whole. Therefore, while tithes retained their then present shape there was little hope of getting rid of these various sources of irritation.

On plans for making the future tithe payments a portion of the rent, Jones mentioned two alternatives—one general and one particular. The first project purposes to establish one common proportion of future tithe payments to future rents on all soils of the kingdom. The second plan purposes to ascertain the actual proportion of tithes to rent in each particular case, and to perpetuate these various proportions. His argument against the first plan may be described as follows. If the differences in the proportions of tithes to rent were very small in particular cases, it might be possible to establish some common proportion, without any very gross violation of the rights of individual tithe-payers or receivers. But the difference between the proportions on different soils is very great. Equal quantities of produce are notoriously obtained at a very different expense from soils of different quality; from the "stiff" land for instance, at a greater expense than from light; moreover the rent of lands producing equal quantities of produce will vary with the different expense of obtaining that produce and will be small when the expense is great, and larger when the expenses have been less. The tithes, however, of equal quantities of produce must always be the same; that is, there will be the same tithes with different rents, and there can be, therefore, no universal proportion between them while the various soils of the earth yield equal crops, though to very different quantities of labor and expense. Equalize the proportion of tithes to rents on all land and very gross injustice would be inflicted upon the landowner who found his own tithes doubled, while those of his neighbor were proportionately lessened. Injustice would also be inflicted on the tithe-owners. The

incomes of individual clergymen would obviously be affected most capriciously, and, it so happens, in a most undesirable direction, for the incomes, already small, of the clergy in the poorer district would be lowered, because there the actual proportion of tithes to the low rents is the greatest, while the income of the clergy in the richer districts would be proportionately augmented, since in these districts the actual proportion of tithes to rent is the smallest and the latter group must profit by the equalization which would be ruining the poorer neighbors.

As to the second plan for commuting tithes, on the basis of the various proportions tithes bear to rent on different lands, the great national object, according to Jones, of setting completely free the fresh application of capital to the soil would be fully effected. It was proposed to ascertain the reasonable value of the tithes, to compare this with the actual rent, and to declare that a like proportion of the future rent shall be always paid in lieu of tithes. Under this plan the produce obtained by such fresh capital would pay no tithes till the capitalist was secure; in other words, till such capital should return the ordinary rate of profit. The landowner would be equally secure, in that, if his rent fell, his tithe payments would proportionately diminish. In the meantime, the funds devoted to religious instruction, increasing as rent rose and cultivation improved, would increase step by step with the increasing population, not so largely, indeed, as when tithes were a fixed proportion of the gross produce, but still to an extent which might be useful in meeting the increased demand for religious instruction. It is true that, under such an arrangement, the tenants' capital would flow freely to the land, unchecked by tithes; but not so the landowners'. The landlord's outlay is always with a view to rent, and in that rent the tithe-owner would continue to share.

The success of the measure in practice must be regarded as a notable proof of the wisdom with which it was conceived, and the care and equity with which it was carried into effect.

CHAPTER VIII

JONES' CRITICS AND HIS INFLUENCE

JONES' theoretical contributions to the development of economic science consist of the recognition of a wider scope of political economy than the Classical School had manifested and a far more optimistic view of economic progress. Whenever he discussed economic institutions he took into consideration social factors as well as political conditions. His theory of rent was, in fact, a theory of income from land; although, as has been said, he did not like to confine the concept of rent to a definition. So with his theory of wages, which did not conceive of wages as a fund but as an income from labor. In his theory of profit, the accumulations of capital are treated in an exhaustive study which was later adopted by Nicholson and Edwin Cannan. His theory of population is more objective and scientific than those of any before him, being without a moral tinge, for voluntary restraint is certainly a happier term than moral restraint. And his doctrine of secondary wants is a real contribution to the discussion of the distribution of wealth.

It is now about a century since Jones published his first book, *The Distribution of Wealth and the Source of Taxation*, in 1831. In making a century's estimate of his contribution to the development of political economy it is interesting to survey different opinions expressed by great economists, past and present, on Jones' system.

As soon as his book was published an article by McCulloch appeared in the *Edinburgh Review* expressing the latter's criticisms as follows:

"We cannot say that Mr. Jones has been very successful in his researches. His view is extensive

but superficial. He never, in fact, goes below the surface. And the conclusions at which he arrives, though sometimes accurate, are, for the most part, quite foreign to the main object of his work."¹

Again McCulloch, in his *Literature of Political Economy*, condemned Jones' work with most unfavorable comments: "Perhaps it was hardly necessary to notice this work, which consists principally of a series of irrelevant and inapplicable criticisms, on the theory of rent as explained by Mr. Ricardo." Of course, we know that McCulloch was an ardent follower of Ricardo, that his views were too extreme and unfair. Moreover, McCulloch's statements in his *Literature of Political Economy*, declares Jevons, were not always accurate.

On the other hand, the editor of *Literary Remains*, Dr. Whewell, gave many illustrations of Jones' achievements in

¹ The details of McCulloch's criticism are as follows:

1. "An account of the conditions under which land has been occupied in different ages and countries would be a work of great value and importance. But judging from the specimens of Mr. Jones' talent, we do not think that he is the very person to supply the deficiency."

2. "Mr. Jones has treated at considerable length of the occupancy of land by *Métayers*, or tenants, paying a certain proportion of the produce to the landlord as a rent. But this part of his work is eminently superficial. Mr. Jones seems to imagine that cultivation by *Métayers* was not introduced in Italy till after the era of Columella. In point of fact, however, *Métayers* were well known in Italy two hundred years previously."

3. "It was not reserved for Mr. Jones to indicate the influence of improvements on the law of decreasing fertility. But a very large portion of his work is occupied with tedious statements of principles already fully elucidated by others."

4. "The remarks Mr. Jones has made on profits are not more original or valuable than those he has made on rent. He labors hard to show that profits have not natural tendency to fall in the progress of society. But when the law of decreasing fertility of that soil is established, the law of decreasing profits follows as a matter of course."

5. "On the whole, we cannot say that we have derived much instruction from Jones' work. His efforts to overthrow the theory of rent have been signally abortive."

economic theory. He gave Jones the credit for originating the classification of rents and the inductive method in reasoning on political economy. Jones' philosophy "to look and see" was highly praised by his friend.¹

J. S. Mill adopted Jones' classification of rent, as we mentioned above, and in his *Principles of Political Economy* he referred to Jones' essay on the *Distribution of Wealth* as "a copious repertory of valuable facts on the landed tenures of different countries."² Jevons also declared that

"the Essay of Richard Jones on the distribution of wealth and the forms of land tenures in different countries is a far less celebrated book, but displays all the same careful spirit of inquiry into the past or present conditions of men."³

Perhaps the most unreserved admirer of Jones was Professor J. K. Ingram:

"The most systematic and thorough-going of the earlier critics of the Ricardian system was Richard Jones. Jones has received scant justice at the hands of his successors. J. S. Mill, while using his work, gave his merit but faint recognition. The method followed by Jones is inductive; his conclusions are founded on a wide observation of contemporary facts, aided by study of history. He is remarkable for his freedom from exaggeration and one-sided statement."⁴

Professor Edgeworth considered Jones "a philosophical historian, and not a mere chronicler. He deserves to be re-

¹ And it is apparently highly praised today by modern statisticians. Compare Secrist's *Introduction to Statistical Method*:

"The Science of Economics is becoming statistical in its method. The advice of Richard Jones to look and see is being taken literally." (p. 17.)

² J. S. Mill: *Principles of Political Economy*, Book I, p. 317.

³ Jevons: *Principles of Economics*, p. 193.

⁴ Ingram: *History of Political Economy*, p. 139.

garded as the founder of the English historical school.”¹ And indeed, the economists of the English historical school all tried to do justice to him. Toynbee asserted, in his *Industrial Revolution*, that “all the world had become political economists of the Ricardian persuasion and the protests of Malthus and his able successor, Richard Jones, were lost in a tumult of applause.”²

Professor Ashley also held that Jones “urged with excellent soberness the need for historical investigation; but that his plea fell on the deaf ears, and that the only trace of his influence in economic literature for many years is to be found in J. S. Mill’s treatment of peasant tenures!”³

Professor Cannan places high value on the contribution of Jones’ historical study:

“In 1831 a vigorous attack on the Ricardian theory was made by Richard Jones. Taking a much broader view of the matter than Ricardo, he surveyed the whole of history, instead of confining his attention to the circumstances of England during the war. It was, consequently, perfectly evident to him that the necessity of employing less productive agricultural industry was neither the only possible nor the most important actual causes of rise of rent, since in the last three hundred years, for example, rent in England has risen enormously, although the least productive agriculture employed was no less productive than it had been at the beginning of the period. . . .”⁴

Marshall’s attitude towards Jones was fair and balanced.

“Richard Jones had not fully grasped the modern distinction between generality of doctrines, or

¹ *Dictionary of Political Economy*, Vol. II, p. 491.

² Toynbee, *Industrial Revolution*, p. 9.

³ *Dictionary of Political Economy*, Vol. II, p. 310.

⁴ Cannan: *History of the Theories of Production and Distribution*, p. 333.

dogmas, and generality of analytical conceptions and ideas; and his own position has his own defects. But he said what was wanted at the time, and his influence, though little heard of in the outer world, largely dominated the minds of those Englishmen who came to the serious study of economics after his works had been published by Dr. Whewell in 1859.¹

In his *Principles of Economics*, Marshall adopted Jones' views on the subject of the source of saving:

"But even in modern England rent and the earnings of professional men and hired workers are an important source of accumulation, and they have been the chief source of it in all the earlier stages of civilization."²

Jones' emphasis upon the importance of both time and space and the relativity of economic doctrines has been admired by J. N. Keynes in his classical work. *The Scope and Method of Political Economy*,³ while Professor Taussig, in

¹ Marshall: "The Old Generation of Economists and the New." *Quarterly Journal of Economics*, 1897.

Jones' influence, however, was very slight. In a recent book, entitled *A Guide to the Printed Materials for English Social and Economic History* by Professor J. B. Williams, Jones' *Literary Remains*, is not mentioned at all.

² Marshall: *Principles of Economics*, 8th Edition, p. 229.

³ "Jones especially insisted on the limited applicability of the Ricardian theory of rent as regards both place and time. A theory based upon the assumption of individual ownership and freedom of completion could not, he pointed out, apply to Oriental stages of society in which joint ownership is the rule and rents are regulated by custom, nor even to those instances nearer home in which land is held in a customary tenure, as in the métayer system. Similarly, as regards limitation in time, he showed that the Ricardian law could not hold good in a condition of affairs such as existed in Mediaeval economy, where land was to a great extent held in common, and the relations between the owners and the tillers of soil were not controlled by free competition." (*Scope and Method of Political Economy*, p. 298, 4th Edition, 1917).

his book *Wages and Capital* mentioned Jones as a most important figure in attacking the wage-fund doctrine.¹

As regards the use and the originality of the phrase, "The Balance of Bargains," two well-known economists agreed to give Jones credit for it. Cossa speaks of Jones' "invention of the happy phrase, Balance of Bargain."² And the same epithet was applied by Nicholson.³

On taxation, Jones made the least effort to contribute anything. Professor Seligman, however, gives him credit for being "one of the first to deny the Ricardian doctrine of incidence, as he was the first to dispute Ricardo's theory of distribution."⁴

Finally, Jones' institutional economics is gradually coming to be appreciated. And it is significant that Professor Mitchell, the leading quantitative economist, attributes an important position to him in the history of economics.

"Among Ricardo's contemporaries was Richard Jones, a clergyman of the Church of England, who knew enough of English history and of contemporary conditions outside of England to appreciate that Ricardo's whole System applied to an institutional situation recent in its development and limited in its scope. Accordingly Jones set himself to broaden the basis of economic theory by

¹"A much more vigorous protest than came from either Senior or Malthus or Chalmers, against the general doctrine in vogue, was made by Richard Jones. Jones was an able and scholarly thinker, with views broadened by a wide knowledge of history and an appreciation of the lessons of history. His attitude on the wage-fund doctrine as the doctrine stood at that date, is significant." (*Wages and Capital*, p. 208).

²*An Introduction to Political Economy*, p. 198.

³Nicholson states that Jones "very happily styled . . . (this) the Balance of Bargains system." (*Dictionary of Political Economy*, Vol I, p. 84).

⁴Seligman: *The Shifting and Incidence of Taxation*, p. 195.

studying the distribution of wealth in other times and other lands. . . ."¹

After a survey of so many favorable opinions expressed by economists on Jones' system of political economy, it may well be asked: Did Jones have great influence upon contemporary or later writers? In truth, we must answer that his influence, if any at all, is insignificant.² Except that J. S. Mill and Fawcett adopted his classification of peasant proprietors, there was no contemporary or later economist who could be called his disciple. He might have had some indirect influence upon the change in economic conceptions; but he had no direct influence on the general course of economic studies in England. This ineffectiveness was due to three causes, namely, his procrastination in writing his book, his practical activities, and the unsuitability of his economic theory to English conditions of that time.

We must admit his slowness in writing his book. Dr. Whewell's letters show very clearly Jones' mental inactivity. A letter from Whewell dated September 9, 1828, runs as follows:

"Have you been cultivating rent, profit and wages, and getting them ready for undying type? You must have been doing this, for all things call upon you. I have been reading a pamphlet, which you very likely know, as I read the third edition, concerning the True Theory of Rent by Thompson. If you have not, read it forthwith on various accounts. Now one inference to be made from this

¹ Mitchell: "Prospects of Economics" in *The Trend of Economics*, edited by Tugwell, 1924. (p. 17).

² Professor Price in his *Short History of Political Economy in England* made a less cheerful estimate of Jones:

Richard Jones, the successor of Malthus at Haileybury, controverted many of Ricardo's positions on the theory of rent in his *Essay on the Distribution of Wealth and on the Source of Taxation*. But Ricardo's influence on the general course of English economic opinion remains unshaken." (*Short History of Political Economy*, p. 64).

same pamphlet is how ripe the world is for your speculations, and how they will become less striking and original by all delay. Here you have the fallacy of rent being the excess of rich soil, the case indicated of rent in countries where this does not apply, the bearing of taxes in the various cases, the influence of moral causes and national habits. All these topics, no doubt, very slightly touched and with no consciousness of their extent and general principles, but still showing how the opinions of clear headed and inquiring men tend. On this account especially it is that you, who are in possession of the general views which connect and systematize these aperçus, and of the collections of instances which illustrate them, should linger no longer. In the same way, so far as I can understand concerning Mr. Sadler from the *Quarterly Review*, he has got hold, probably combined with much folly, of some of the true circumstances of the progress of population, and of the preventive checks. All these fermenting principles must converge to system and unity before long; the political economists are not all the war;—if they will not understand common sense because their heads are full of extravagant theory, they will be trampled down and passed over; and it will be the height of indolence and bad management if you allow other heels to take the pass of yours in this most meritorious procession.”¹

Jones was indeed a procrastinating author. Without the earnest encouragement of his friend, it is doubtful whether Jones would have brought out his book. In another letter, dated July 31, 1829, Whewell wrote: “I bestow every now and then an especial act of recollection and good hope upon your political economy, which from

¹ Dr. Whewell: *Writings and Letters*, Vol. II, p. 93.

this time is, I expect, destined to have no stop on its progress."¹ Two weeks later Whewell sent him another fascinating letter in which the most valuable and friendly inspiration was shown by an intimate friend. The letter runs as follows:

"It is rather cloudy, but through a little hole in the clouds I can see you very tolerably. You are looking with great satisfaction at a half sheet draft of your political economy and just beginning to discover the merit and difficulty of a proper division into paragraphs. You have got some shockingly ill written heaps of paper lying beside you, which you are going to make more seemly to look at as soon as you have done correcting your press. Mrs. Jones is asking in vain for the meaning of various ejaculations which escape you from time to time. Be a good boy and take pains with all the base and mechanical parts of your task, and do not, as I did, execute it so imperfectly that you are impatient till a second edition enables you to correct your blunders."²

From these letters we gather that Jones was lazy and slow in writing the portion of his book dealing with rent. He did not publish any further portion of his *Distribution of Wealth* in a substantial form, though he more than once furnished a compendious statement of some of his views in the form of a syllabus of his lectures, and, as we have mentioned earlier, these were collected and published in his *Literary Remains*. But he has left no large and systematic development of his doctrines, and this is, of course, one of the chief reasons why Jones' influence was so insignificant.

A second reason for his obscurity is that when he was appointed Professor of Political Economy and History at Haileybury College, he was also, at the same time, taking

¹ Dr. Whewell: "*Writings and Letters*," Vol. II, p. 101.

² Dr. Whewell: "*Writings and Letters*," Vol. II, p. 102.

charge of the commutation of tithes; he had removed his interests from speculative to practical political economy. But on the occasion of his being appointed Tithe Commissioner, he had received permission from the directors of the East India College to continue to hold his professorship. He went on injecting his speculations into his lectures, for that purpose often writing them over in altered forms. Due to this habit, the papers which he left contain much repetition.

Jones cherished the hope of giving something of a complete and systematic character to his system of political economy of nations, but the execution of all such projects was prevented by his engagement in practical life, and by his fondness for social intercourse, to which reference has been made in Chapter II. In addition a great obstacle to his constructing a systematic doctrine was his impatience of the labor which was requisite in order to give literary symmetry to his writings.

Above all, he was not influential because his economic discussions were based upon the study of economic institutions of other nations than England; his chief interest was not centered on English economic problems of the day. Owing to the high cost of subsistence the economists of the period had come to regard the funds for the maintenance of labor as the most important component of capital. Jones, on the contrary, put much more emphasis upon the importance of auxiliary capital than on that of circulating capital. In propounding his theory of rent, he attached himself to the support of the landlord, who was defeated by the repeal of corn laws in 1846. In his theory of wages he gave more space to the discussion of unhired laborers and paid dependents than to the English type of laborer, hired by capital. Any kind of economic theory, if divorced from its functional relation to economic problems of the day, will fail to secure public sanction. Jones could not be an exception.

All these causes — his mental slowness or impatience,

his daily activities, and his peculiar system of political economy of nations, unsuitable to the English situation of that day—combined to minimize Jones' influence in the minds of the English Classical economists.¹ He did, however, distinctly see in the far distance a goal worthy of his toil; he had applied his shoulder to the task of advancing the car of knowledge, though only one span's length in its career. If in the road to truth through observation and induction, he remarked that men can advance only by slow and laborious steps, it is at least the privilege of those who tread it to see through its long vista a cheering spectacle of final triumphs. It is now one hundred years since the publication of his work, and at last a prominent school of institutional economics has grown up, emphasizing the inductive method of study, the statistical approach and the historical treatment which were advocated by Jones a century earlier. Perhaps it may be said with a fair degree of certainty that in the near future Jones will occupy the place in economic thought which he so well deserves.

¹ While Jones has not received due recognition among the English economists, it should be stated that as a prominent figure of the historical school of economics, he could hardly be placed on an equal footing with Schmoller & Roscher of the German Historical School.

APPENDIX A

A detailed study of Jones' threefold classification will reveal his turn of mind as well as his economic doctrines. The following list illustrates his classificatory economics.

1. There were three errors of the Ricardian school.¹
 - A. There is assumed a constantly decreasing power in the agricultural occupation as nations multiply and become more civilized.
 - B. The laboring classes of the earth are maintained exclusively on funds saved from income.
 - C. The diminishing rate of profit observable as nations become numerous and rich indicates a decreasing power of accumulating fresh resources.
2. Jones mentioned three disadvantages of cottier rents.²
 - A. The want of any external check to assist in repressing the increase of the peasant population beyond the bounds of an easy subsistence.
 - B. The want of any protection to their interests from the influence of usage and prescription in determining the amounts of their payments.
 - C. The absence of the direct common interest between the owners and the occupiers of the soil.
3. There are three different modes in which farmers' rent may increase.³
 - A. An increase of the produce from the accumulation of larger quantities of capital in its cultivation.

¹ *Distribution of Wealth, Preface.*

² *Distribution of Wealth*, p. 139. Also *Literary Remains*, p. 209.

³ *Distribution of Wealth*, p. 178.

- B. The more efficient application of capital already employed.
 - C. The diminution of the share of the producing classes in that produce, and a corresponding increase of the share of the landlord.
4. Three fallacies in connection with a supposed indication of the decreasing efficiency of agriculturual labor.¹
- A. A fall in the rate of profits.
 - B. A rise in the relative value of raw produce, compared with other domestic commodities.
 - C. An increasing money value of raw produce, compared with the prices of other countries.
5. There are three facts showing the increase of rents in England has proceeded from the increase of agriculture produce.²
- A. There has been a spread of tillage, accompanied by a rise in the general rental of the country.
 - B. There has been a diminution of the proportion of the people employed in agriculture.
 - C. There has been a decrease in the landlord's proportion of the produce.
6. The labor fund may be divided into three comprehensive classes.³
- A. Revenues which are produced by the laborers who consume them, and never belong to any other persons.
 - B. Revenues belonging to classes distinct from the laborers, and expended by those classes in the direct maintenance of labor.

¹ *Distribution of Wealth*, p. 241.

² *Distribution of Wealth*, p. 264.

³ *A Syllabus of a Course of Lectures on the Wages of Labor to be Delivered at King's College, 1833.*

- C. Capital in its limited and proper sense of stock or accumulated wealth employed with a view to profit.
- 7. Laboring cultivators may be divided into three groups:¹
 - A. Hereditary Occupiers.
 - B. Proprietors.
 - C. Tenants.
- 8. Tenants may again be divided into three classes:²
 - A. Serfs.
 - B. Métayers.
 - C. Cottiers.
- 9. There are three errors concerning the accumulation of capital or rate of profit in the Ricardian school of economics:³
 - A. A mistaken notion that accumulation from profits must be slow where the rate of profits is low, and rapid where it is high.
 - B. A mistaken belief that profits are the only source of accumulation.
 - C. A mistaken belief that all the laborers of the earth subsist on the accumulations and savings from revenues, and never on the revenue itself.
- 10. There are three causes which determine the efficiency of labor:⁴
 - A. The continuity with which it is applied.
 - B. The skill by which it is directed.
 - C. The power by which it is aided.

¹ *Syllabus*, p. 46.

² *Syllabus*, p. 48.

³ *Syllabus*, p. 51.

⁴ *Literary Remains*, pp. 9, 347, 189, 402.

11. The laborers of the world may be divided into three great, but unequal, classes.¹
 - A. Unhired laborers, who till the ground they occupy as peasant cultivators, and live on self-produced wages.
 - B. Paid dependents, who are paid out of the revenue or income of their employers.
 - C. Hired laborers, who are paid out of the capital of their employers.

12. There are three conditions governing the increase of auxiliary capital:²
 - A. It must return its wear and tear with a profit.
 - B. It must appear in a new form.
 - C. It must make a better application of known forces.

13. There are three major problems in the discussion of population.³
 - A. The causes which affect the progress of population generally.
 - B. The causes which affect the progress of the labor population in particular, and among these the influence on population of fluctuations in the rate of wages.
 - C. The causes, which, under different circumstances, determine who shall ultimately pay the taxes laid on commodities consumed by the laboring classes.

¹ *Literary Remains*, p. 13.

² *Literary Remains*, p. 70.

³ *Literary Remains*, pp. 94, 471.

14. There are three conditions determining the peasant laborer's wages.¹
 - A. The size of his holding.
 - B. The fertility of the land.
 - C. The efficiency of his labor.

15. There are three causes which determining the accumulation of capital²
 - A. The source from which capital is accumulated.
 - B. The causes determining the inclination to accumulate.
 - C. The conditions favorable or unfavorable to accumulation.

16. There are three obstacles in the promotion of social standings:³
 - A. Distinction of blood and race.
 - B. Paucity of non-agricultural occupations.
 - C. Vicious legislation and regulations as to the privilege of carrying on these occupations.

17. To create new habits of consumption among a population put in possession of increasing means, three things must concur.⁴
 - A. The people must acquire a knowledge of, and a familiarity with, a new list of commodities suited to their tastes.
 - B. These commodities must be presented to them at such reasonable price as to be within the reach of the successive additions to their means.
 - C. There must be no insuperable physical or moral obstacles, such as distances, roads, fiscal or other regulations, which throw difficulties in the way of their attaining these new commodities.

¹ *Literary Remains*, pp. 124, 218.

² *Literary Remains*, pp. 53, 316, 390.

³ *Literary Remains*, p. 383.

⁴ *Literary Remains*, p. 480.

18. Jones suggested three propositions in connection with the commutation of tithes.¹
 - A. That commutation is desirable.
 - B. That the future payments, in lieu of tithes, shall be applied to the same purposes and paid to the same persons as the present tithe.
 - C. That the first step in the process shall be to transfer the liability for those future payments from the tenant to the landowner.

19. Jones mentioned three parties concerned with the commutation of tithes:²
 - A. The government, as representing the whole population and all the national interests.
 - B. The landowners.
 - C. The tithe owners.

20. Jones set forth three objects of the government in the commutation of tithes:³
 - A. The setting of the capital and industry of the country completely free to extract the greatest possible amount of produce in the best manner from the soil.
 - B. The removing at the same time, of any obstacles created by the actual mode of collecting their revenues.
 - C. The efficiency of religious instruction.

¹ *Remarks on the Government Bill for the Commutation of Tithes*, 1836.

² *Ibid.*

³ *Ibid.*

APPENDIX B

THE DIFFERENCES BETWEEN RICARDO AND JONES ON THE THEORY OF RENT.

JONES	RICARDO
1. Rent proceeds from the employment of an additional quantity of capital and labor with an equal proportional return.	1. Rent invariably proceeds from the employment of additional quantity of labor and capital with a proportionally less return.
2. Increase of produce and rise of rent.	2. Increase of produce and decrease of rent.
3. Agricultural improvement beneficial to landlords.	3. Agricultural improvement detrimental to landlords.
4. The rise of rents is the creation of wealth.	4. The rise of rents simply the transfer of wealth already in existence.
5. National produce increasing while rent rising.	5. National produce stationary while rent rising.
6. Inferior soils present a boundary to the rise of rent.	6. Inferior soils cause rise in rent.
7. To minimize the importance of the law of diminishing returns.	7. The law of diminishing returns is regarded as the foundation of the theory of rent.
8. The rise of rent is independent of the alteration in the relative fertility of the soils.	8. The rise of rent is due to the alteration in the relative fertility of the soils.
9. The cultivation of poor soil is the consequence of the increased efficiency of capital which is the cause of the rise of rent.	9. The cultivation of poor soil is the consequence of the law of diminishing returns (in the old soil) which is the cause of rise in rent.
10. Rent rises as the fertility of soils increases.	10. Rent rises as the fertility of soils decrease.

JONES

11. The interests of landlords not in opposition to that of other classes. Theory of social harmony.
12. The increase of rent from the total quantity of produce, that is, the mass of rent.
13. Emphasis upon the productive power of agriculture in the theory of rent.
14. Rent as a surplus profit from capital investment.
15. Using addition or multiplication to estimate the total quantity of rent, the mass.
16. Close relation between wages and rent in the peasant rent: one determines the other. But this relation ceases in the farmer rent.
17. Emphasis on human institution. The origin of farmer rent due to the rise of capitalist class. Pecuniary interpretation.

RICARDO

11. The interests of landlords always opposed to that of other classes. Theory of class struggle.
12. The increase of rent from the margin of different soils: the wider the margin the higher the rent.
13. Emphasis upon the share in distribution in the theory of rent.
14. Rent as a differential return from cultivation.
15. Using subtraction or division to calculate the rate of rent, the margin.
16. Close relation between rent and profit, one rises as the other falls. Their movement tends in opposite directions.
17. Emphasis on physical constituents of the soil. Physical interpretation.

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