

**LORD ROBBINS**

**THE THEORY  
OF ECONOMIC  
POLICY  
IN ENGLISH CLASSICAL  
POLITICAL ECONOMY**

# **THE THEORY OF ECONOMIC POLICY**

**IN ENGLISH CLASSICAL  
POLITICAL ECONOMY**

**BY  
LORD ROBBINS**

**SECOND EDITION**

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## PREFACE TO THE SECOND EDITION

THE demand for a second edition of these lectures comes at what, for their author, is a congenial moment. At the conclusion of the last lecture in this book, having repudiated, in that context, appraisal of the theories which it recorded, I expressed an interest in such an enterprise; and quite recently, after an interval of many years, in my *Political Economy: Past and Present*, I made an attempt of just that kind. The two works therefore have some sort of organic connection. *The Theory of Economic Policy in English Classical Political Economy* is a straightforward account of what I believe to be the main propositions of an historical position: *Political Economy: Past and Present* is, among other things, a normative reconsideration of that position in the light of subsequent economic developments and necessary analytical modifications.

In re-reading a work whose origins, as related in the Preface to the First Edition, go back to lectures at the London School of Economics delivered before the Second World War, I am a little surprised to find that I have so little to recant. Needless to say the views here presented have not escaped criticism: so many people have committed themselves to a contrary view of the Classical Economists, both their conceptions of appropriate policy and their alleged interested motives, that it must be annoying to them to find their position called in question. But this has left me unruffled; and, although I know nowadays many more references which might have driven home my interpretations, I am still convinced that my broad perspective is historically valid.

The one implicit criticism which I would, naturally, take seriously is Professor Hutchinson's query concerning the validity of including Jeremy Bentham as a Classical Economist. This, I should agree, is a matter on which reasonable people may take two views. I thoroughly concur in the judgement that certainly in some matters of finance Bentham must be judged — as indeed he was by Ricardo — as standing apart from the main tradition. But I did not deal at any length with monetary policy in this book except to point out that while the Classical School, defined as I have defined it, certainly regarded the issue of the means of exchange as involving state regulation, on the question of what that regulation should be they were certainly at sixes and sevens.<sup>1</sup> But I would submit that, as regards the general theory of economic policy, Bentham's *Manual of Political Economy* — composite though we now know that to be — and his close connection with James Mill, Ricardo and even with John Stuart Mill provide some warrant for the citation of his views in the context of these lectures.

There is one section in these lectures which has escaped critical strictures, apart from a friendly suggestion of some exaggeration from Lord Roll in the last edition of his distinguished *History of Economic Thought*, (fn. p. 144) namely the contrast in the second lecture between the philosophical foundations of the Physiocratic and the English Classical approach to the functions of the state in general. Here I hold firmly to my main position. There seems to me to be a world of difference between the

<sup>1</sup> I have dealt with some aspects of this complex problem in sundry other works: my *Robert Torrens and the Evolution of Classical Economics* (1958); *The Theory of Economic Development in the History of Economic Thought* (1968); *The Introduction to the Toronto Edition of J. S. Mill's Essays on Economics and Society* (1967) reprinted in my *Evolution of Modern Economic Theory* (1970) and in *Political Economy Past and Present* (1976) — all (except the Toronto Edition) published by Macmillan, London.

*naturrechtlich* outlook of Quesnay and his followers and the broad utilitarianism of David Hume and the more ambiguous, though in effect utilitarian, system of Adam Smith.<sup>1</sup> In the original lecture I did concede to Gonnard "that the empirical and utilitarian point of view is far from being absent" from the Physiocrats. I now think, however, that my treatment of this interesting subject might have been rather more extensive than the existing text.

There is one respect in which, if I were writing these lectures today, the draft would have been decidedly different. In my introductory remarks to the first lecture at Manchester, my tone was almost apologetic. I defended the History of Economic Thought as a subject and congratulated my hosts for providing for its study. That attitude would clearly be inappropriate today. There are indeed some institutions, both here and in the United States, where the virtual total neglect of anything of the sort would suggest the attitude I was regretting; and there is certainly room elsewhere for further improvement. But the spread of interest in the subject in the last few years, the notable contributions, for example, of Professors Collison Black, Hollander, Hutchinson, O'Brien, Robertson, Stigler, Winch and many others, the appearance of scholarly editions of historical works of which the Sraffa Edition of Ricardo, the Glasgow Edition of Adam Smith, the Toronto Edition of John Stuart Mill and the invaluable translation of Walras' *Elements* and the collection of his letters by Professor Jaffé are examples, the existence of special journals and special societies devoted to the subject,

<sup>1</sup> On Adam Smith's use of the principle of utility, Professor T. D. Campbell's *Adam Smith's Science of Morals* (1971) casts a most valuable light. See especially pp. 206-20.

would today render such diffidence regarding my choice of subject somewhat odd.

The main addition to the present edition is a footnote citation on page 168 of a passage from Mill's *Liberty* on nationalization which I think considerably reinforces the argument of the chapter in which I deal with Mill's ambiguities as regards socialism.

I owe to Mr Duncan Forbes a correction regarding the nature of both Hume and Smith's political outlook to which I have endeavoured to do justice in the relevant sentence on page 3 (see his most illuminating paper on "Sceptical Whiggism, Commerce and Liberty" in *Essays on Adam Smith*, edited by Andrew S. Skinner and Thomas Wilson, Oxford, 1976).

ROBBINS

## PREFACE TO THE FIRST EDITION

THE following pages owe their origin to a short course of lectures on *Theories of Economic Policy* which I delivered at the London School of Economics in 1939. The main views which they contain were all set forth in the two lectures there devoted to the Classical system. But the limitations of time within which I had to work left me dissatisfied with my treatment and I contemplated a further development before publication.

Then came the war with nearly six years' suspension of academic activities, and after that three more very strenuous years in which the reconstruction of our faculty arrangements absorbed most of the waking hours of my life. So that it was not until last year, when the University of Manchester did me the honour of asking me to deliver the Simon Lectures for 1950, that I was able once more to take up my investigations where I had left them in 1939. The work this involved was embodied in the first three lectures of the present book, which, although somewhat expanded, remain in substance as they were then delivered. I owe my many friends at Manchester a deep debt of gratitude, not only for their invitation and their kindly tolerance as listeners, but also for sending me back to a branch of our subject which I have always found especially congenial.

When, however, I came to revise these three lectures for publication, it seemed to me that, even on the very broad plane of generalization which I had chosen, my treatment would be lacking if I did not add sections dealing with the attitude of the Classical Economists to



socialism and with their more general position in the history of social philosophy. An invitation in the spring of this year to hold a visiting fellowship at the Institute for Advanced Study at Princeton, supplemented by a generous travelling grant from the Rockefeller Foundation, afforded an ideal opportunity in which to carry through the necessary work, which in the end proved to involve a doubling of the original number of lectures. I should like to express my warmest thanks to Dr. Robert Oppenheimer, the Director of the Institute, and to Dr. Walter Stewart, the head of the Economics Section, for the unforgettable kindness and hospitality which I enjoyed as their guest.

The introductory section of Lecture I sets forth the scope and the limitations of my intentions and these are again emphasized in the concluding section of Lecture VI. There is, therefore, no need for me to repeat myself on that score in this preface. I ought, however, perhaps to add one further word regarding my method of presentation. The argument of the lectures involves a view of the Classical system which, although I am sure it would have seemed obvious to an earlier generation, must appear as novel and perhaps paradoxical to many contemporary readers. I have, therefore, had recourse to copious quotations from the original texts, preferring that the authors I discuss should speak in their own words rather than that I should run the risk of misrepresenting them by oblique reference. I have done this with all the better conscience, in that most of them had a command of phrase and exposition greatly superior to anything I could hope to achieve by paraphrase. In quoting at length, therefore, I conceive that I accomplish two purposes: I provide demonstration, more convincing than otherwise would be possible, of the interpretations which I

put forward ; and, at the same time, I present to a generation of readers, largely unacquainted with their excellence, specimens of exposition and argument which, whatever the deficiencies of my accompanying comments, should provide some net compensation for the trouble of reading the book.

In thus presenting these lectures to the public, I hope I shall not be thought to be making any high claims to originality or new contributions to scholarship. My subject is not one on which, at this time of day, it would be easy to be very original without risking distortion of important facts ; moreover, my indebtedness to others is abundantly evident in my references. As for scholarship, it has been my good fortune to know some of the really great scholars in this field ; and I hope that I know my place. All that I would claim as a justification for publication is that the assembling of the material in this form may perhaps be useful to students and may also — although I am not very hopeful in this respect — be some safeguard for a few years against the grosser forms of misunderstanding and misrepresentation of which, in recent years, this aspect of the Classical system has all too frequently been the subject.

Many friends have helped me with criticism and advice. I will not name them lest they should be involved in any disapprobation I may incur ; they know, I hope, that I am sincerely grateful. I must, however, explicitly tender thanks for invaluable editorial labours to Miss Helen Beven, secretary to the economics department at the School of Economics, and to my daughter, Anne Robbins.

LIONEL ROBBINS

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## LECTURE I

### THE SYSTEM OF ECONOMIC FREEDOM

IF I had been speaking before almost any other audience I should have felt obliged to preface my remarks by some apology for my subject. When I began to study economics, thirty years ago, the senior generation of economists in this country — Marshall, Edgeworth, Foxwell and Cannan — were all men who, in their different ways, were truly learned in what may be called the scholarship of the subject; and some acquaintance with the history of economic thought was usually deemed to be a desirable part of the equipment of the economist. But, in the years that have passed since then, all that has changed. In most centres of study, this kind of knowledge has come to be regarded as a very unimportant embellishment, as inessential to the economist as a knowledge of the history of chemistry is said to be inessential to the chemist. This development has always seemed to me to be unfortunate. I do not think that, even in the purely analytical field, our knowledge is so far advanced as to justify us in writing off as superseded the propositions of all but our immediate contemporaries; and, in the applied field, I do not think that we can hope to understand the problems and policies of our own day if we do not know the problems and policies out of which they grew. I suspect that damage has been done, not merely to historical and speculative culture, but also to our practical insight, by this in-

difference to our intellectual past — this provincialism in time — which has become so characteristic of our particular branch of social studies. When, therefore, the other day your University, which has so often led the way in important developments in our subject, decided to create a special post for the study of the history of economic thought, in my judgment it set a notable example, which I hope will be widely followed. Certainly it made a gesture which must greatly relieve the diffidence of any guest who comes, as I do, with a desire to make a modest contribution in this particular field.

(i) *Subject and Plan of the Lectures*

May I begin by delimiting my subject? I wish to present a brief survey of the theory of economic policy of the English Classical Economists. By the theory of economic policy I mean the general body of principles of governmental action or inaction — the *agenda* or *non-agenda* of the state as Bentham<sup>1</sup> called them — in regard to economic activity. By the English Classical Economists I mean the two great Scotch philosophers, David Hume and Adam Smith, and their followers, most of whom belonged to the first two generations of the London Political Economy Club — conspicuously, Ricardo, Malthus, Torrens, Senior, McCulloch and the two Mills. I include also Jeremy Bentham, who was much more important as an economist than is often recognized; and I shall not refrain from quoting Cairnes, who came later, but who, in some important respects, is to be regarded as one of the main expositors of the Classical position. You will observe that in my title I deliberately

<sup>1</sup> Bentham, *Manual of Political Economy: Works* (edited Bowring), vol. iii, pp. 35, 41 *seq.*

exclude any economists other than inhabitants of this island.<sup>1</sup> I should like also, even at this stage, to make clear, what I hope will become very apparent later on, that I do not regard the Classical School and the so-called Manchester School as identical — very much the contrary indeed.

Now, of course, it would be a great mistake to regard the men I have named as being in every respect a homogeneous group. The picture which has been drawn of the Political Economy Club as the assembly of a new church imbued with "all the spirit of ecclesiastical fervour" <sup>2</sup> was always hard to reconcile with the known facts of the disputes between Ricardo and Malthus and between Tooke and Overstone; and the publication of the diaries of J. L. Mallet <sup>3</sup> have deprived it of the last vestige of plausibility. Nevertheless, on the broader issues, they undoubtedly held certain principles in common: they would have subscribed to the central thesis of the *Wealth of Nations* against Mercantilism; they believed in property and free enterprise; the main drift of the *Essay on Population* was accepted by most of them. They varied in politics. Hume and Smith were "sceptical Whigs"; Senior and Malthus were less uncommitted that way; Bentham, Ricardo and the two

<sup>1</sup> This for two reasons. First, for reasons of space: these lectures would become a treatise if I were to take account of all the continental writers who have been called classical by someone or other. Secondly, for reasons of interpretation: I have no desire to be insular in outlook, but I am clear that the theories I am about to examine originated predominantly in this country, that beyond a vague derivation from the *Wealth of Nations*, the continental writers have little or no organic relation with the movement over here, and that indeed it is the differences, in this connexion, between English and continental theories rather than the similarities, which are significant for the history of thought.

<sup>2</sup> Sir W. Ashley, "Address to the British Association", Economic Section, Leicester, 1907, reprinted in the *Economic Journal*, vol. xvii, p. 467 seq.

<sup>3</sup> *Political Economy Club, Minutes of Proceedings, etc.*, 1821-1920, especially p. 217. "I do not apprehend," says Mallet, "if we were in the habit of voting *aye* or *no* on the questions proposed, that there would have been half a dozen occasions since the establishment of the club, 6 years ago, in which anything like unanimity would have prevailed."

Mills, Philosophical Radicals. But they shared a common interest in economic reform, which manifested itself, not so much in common support of specific measures — though there was much of that — as in a commonly held belief that the application of certain methods of approach and analysis, the recently discovered science of Political Economy, offered superior hopes for what they would have called improvement. They would have repudiated a wooden adherence to minutely fixed doctrines. But they would have acknowledged the use of a more or less common language and a common interest in social betterment.

For good or for bad, these men and their ideas are historically important. They exercised a profound influence on public opinion in this country. They were responsible, directly or indirectly, for many far-reaching legislative and administrative changes. Even to-day, in innumerable ways of which we are seldom aware, their outlook continues to affect ours. Nor is this influence confined to this country. It is true that the specifically Ricardian element in Classical analysis did not prove a hardy migrant and was rarely understood abroad. But the broader theory of policy, based on Smith and Hume and Bentham, although often misconceived, has certainly been very influential. It is no exaggeration to say that it is impossible to understand the evolution and the meaning of Western liberal civilization without some understanding of Classical Political Economy.

But, for all this, it is very little understood. It is true that as a result of the labours of a few outstanding scholars — chiefly outside this country, I am sorry to say — many parts of this subject have been better surveyed and analysed than ever before. But the main body of contemporary opinion shows little awareness of this; and understanding of the system which once dominated the social thought of the West is becoming



confined to a handful of specialists. Indeed, the position is much worse than this. Popular writing in this connexion is far below the zero of knowledge or common decency. On this plane, not only is any real knowledge of the Classical writers non-existent but, further, their place has been taken by a set of mythological figures, passing by the same names, but not infrequently invested with attitudes almost the exact reverse of those which the originals adopted. These dummies are very malignant creatures indeed. They are the tools or lacqueys of capitalist exploiters—I think that has the authentic stylistic flavour. They are indefatigable opponents of social reform. They can conceive no function for the state other than that of the night watchman. They “defend” subsistence wages and are supremely indifferent to the well-being of the working classes. Hence, when a popular writer of the day wishes to present his own point of view in a specially favourable setting, he has only to point the contrast with the attitude of these reprehensible people and the desired effect is produced. You would be surprised at the number of well-known authors who have resorted to this device.

Now, doubtless, the best remedy for this state of affairs would be that people should once more turn to the original texts. I hope that this, in fact, is what will happen in those universities which are once more insisting on some minimum knowledge of the history of economic thought. But, since life is short and the literature is extensive, there is perhaps something to be said for yet another attempt to get the wide field into something like a correct focus. That, at any rate, is what I want to do in these lectures.

The plan which I propose is as follows: in this first lecture I shall try to set out certain broad aspects of