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John Stuart Mill

Economica, New Series, Vol. 12, No. 47. (Aug., 1945), pp. 134-139.

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Notes on N. W. Senior's *Political Economy*

By JOHN STUART MILL

[THE following notes are reproduced from an interleaved copy of the first (quarto) edition of N. W. Senior's *Outline of the Science of Political Economy* (reprinted in 1836 for private circulation from the *Encyclopædia Metropolitana*) which is now in the possession of Senior's grand-daughter, Mrs. A. St. Loe Strachey. The copy bears on the title page, in ink, N. W. Senior's signature and the remark " (autograph notes by J. S. Mill) ". The notes, with one exception noted below, are written in ink on the white sheets bound in between the pages and are unmistakably in J. S. Mill's hand. The precise point in the text to which they refer is indicated by an asterisk. There are also a few further notes pencilled on the margins, but these have not been reproduced as they are of no great interest and because it is not certain that they are also by Mill. Mill's spelling and punctuation have been followed as closely as possible, though, as is usually the case with his manuscripts, it is often impossible to decide which punctuation sign has been intended.

The references before each note refer I to the quarto edition from which the notes have been reproduced (the pagination of which commences with p. 129) and II to the corresponding passages in the reprint from the second (octavo) edition of the *Encyclopædia Metropolitana*, 1850 and later, and to the edition in the "Library of Economics" (edited by Dr. P. N. Rosenstein-Rodan and published by George Allen & Unwin, London, 1938), which is a photographic reproduction of the second edition.

Thanks are due to Mrs. A. St. Loe Strachey for permission to reprint these notes.

F. A. H.]

Ad I, p. 134, end of page,
II, p. 15, beginning of page,
where Senior quotes James Mill's and Malthus' definition of "demand".

It seems to me necessary, when we mean to speak of the *ratio* between the demand for a commodity & the supply of it, that the two quantities should be, in the mathematical sense, homogeneous—that both of them should be estimated in numbers of the same unit. Now as ordinary usage makes it almost impossible to use the word *supply* in any sense but that of *quantity of the commodity*, viz., the quantity actually in the market or ready to be brought into it, *demand* must I think be used also in the sense of quantity of the commodity, & in that sense it can only be taken to mean, the quantity for which at the market price, purchasers can be found. These definitions being adopted, the fundamental theorem of value must be expressed thus: The value of a commodity in any market will always be such that the demand shall be exactly equal to the supply.

Ad I, p. 135, beginning of page,
II, p. 15, middle of page,
to the sentence: "The deficiency of wheat would not give to the consumers of oats and barley any increased power of purchasing them, nor would the quantity purchased or consumed be increased".

But the quantity for which there would be purchasers at the previous market price would be increased, therefore there would be increase of demand in the sense I propose giving the term. The demand, in my sense, having thus become greater than the supply, the value must rise until the rise either calls forth an addition to the supply, or brings back the demand to what it was before, & in either case restores the equality of supply & demand.

Ad I, p. 138, end of page,
II, p. 24, second paragraph,
to the phrase: "as limitation of supply is essential to the value of labour itself".

I do not think limitation of supply essential to the value of labour. Labour being painful, would not be incurred without some sort of equivalent pleasure and

advantage even if labourers could be multiplied indefinitely by a volition, or if every man could work a hundred thousand hours in the four-and-twenty. Unless indeed the labourers when created could be constrained to work by a physical force equally unlimited in supply & which did not act through their own will, but employed their muscles as mere machinery. For even to forbear stripes is *some* equivalent for labour.

Ad I, p. 146, end of first paragraph,

II, p. 42, second line,

to the sentence: "after once a colony has been planted, its principal increase arises, not from the comparatively scanty recruits whom it receives from home, but from the unrepressed force of human fecundity."

These statements have been true hitherto, but only because the emigration which took place has not been made available to facilitate further emigration. This could only be done by national arrangements, & emigration has never till now been a national concern.

Ad I, p. 148, middle of third paragraph,

II, p. 46, last paragraph,

to the sentence: Mr. Malthus's "admission that, 'in the progress of society, the probability is that the evils occasioned by the pressure of population against food will be mitigated', is opposed to Mr. M'Culloch's statement".

I think Mr. M'Culloch's expressions only mean (considered with reference to the general scope of his argument) that the power of increase *when fully called into action* would in the long run be an overmatch for any increase in the means of subsistence.

My father's expressions seem to me equally reconcilable with the true view. The condition of the population, being one of poverty, proves that population has borne too great a ratio to capital, through the effect of a "tendency" in Whately's *first* sense, which though partly impeded has not been sufficiently so.

No political economist, except Malthus in his first edition, seems to me to be chargeable with more than having used expressions which might be, & which occasionally have been, misunderstood, and it seems to me to throw very unnecessarily a shade of apparent doubtfulness over the true view of the subject & over the truths of the science in general, to represent the great authorities on the science as having been at war on so fundamental a point, when I do not believe there was an atom of difference in their real opinions.

[The concluding paragraphs of the section in a great measure obviate the necessity of this remark.]

Ad I, p. 153, end of first column,

II, p. 59, italics in last paragraph,

to the sentence: "*By the word abstinence, we wish to express that agent*".

I question if abstinence can be called an agent or an instrument of production. Could not you call it a *condition*? And might not the word *saving* be used, not to supersede but occasionally to alternate with the term abstinence? Labour, natural agents, & *saving*. Besides, in order to employ productively what serves to feed me, I do not *abstain* from the enjoyment of it, I merely labour *while* I consume it.

Ad I, p. 154, middle of first column,

II, p. 61, middle of long central paragraph,

to the sentence: "the only difference being, first, that his knowledge remains unimpaired until either his death or his retirement from business makes it suddenly valueless".

Can it be said to have become valueless merely because he ceases to use it? when if he chose to bring it into market he could obtain a value for it?

Ad I, p. 155, end of second paragraph,

II, p. 63, end of second paragraph,

to the sentence: "On the other hand, the materials and stock-in-trade of an iron founder would be circulating capital according to Smith, and fixed capital according to Ricardo".

I think Ricardo & my father habitually gave the name fixed capital to all those portions of capital which are not consumed & reproduced within the year—& that they included in each class the same objects as Adam Smith, though their definition may have been different.

Ad I, p. 160, two-thirds down in last paragraph of first column,
II, p. 75, last line,

to the sentence: "The mass of the inhabitants of Egypt, Persia, and Burmah, or to go as low as perhaps it is possible, the subjects of the Kings of Dahomi and Ashantee, enjoy security, if we compare their situation with the ungoverned inhabitants of New Zealand".

If so, it must be from some peculiarity in the case of the New Zealanders. An oppressive government which is a vigorous one, is no doubt better than an anarchy, but most bad governments include all the evils of anarchy, for they plunder the people and leave them to protect themselves. We see that in the bad governments of India.

Ad I, p. 160, middle of first paragraph of second column,

II, p. 76, end of first paragraph,

to the sentence: "In representative governments they arise principally from their unskilfulness".

A good deal from their bad intentions too, I think, witness the Corn laws—slavery—and many other evils.

Ad I, p. 161, towards end of second paragraph of second column,

II, towards end of first paragraph,

to the sentence: "It is probable, however, that Adam Smith's real meaning was, not that the identical supplies which will be wanted in a course of progressive industry must be already collected when the process which they are to assist or remunerate is about to be begun, but that a fund or source must then exist from which they may be drawn as they are required. . . . The painter must have his canvas, . . ."

Not only that; but there must be an equivalent fund stored up in the possession of the painter himself, to enable him from it & its intermediate profits to supply himself with necessaries during the whole time; unless he be a mere workman receiving wages from an employer.

Ad I, p. 162, end of long paragraph in first column,

II, p. 80, end of first paragraph,

at closing bracket.

It might be well to remark that the portion of the price of any article which goes to remunerate labour and abstinence long past, becomes infinitesimal when we go a very few stages back. The *recent* labour & abstinence carries off all but an inappreciable fractional quantity—& therefore all which is capable of operating as a motive.

Ad I, p. 186, end of second paragraph in second column,

II, p. 95, end of fourth paragraph,

to the sentence: "But it appears to us to be the most philosophical arrangement to consider it [the portion of the annual produce which is employed in the production or the support of brute or inanimate capital] as rent, wages, or profit, according to the character of its proprietor, without regard to its subsequent destination".

I cannot see the propriety of calling that which merely repays the capitalist for his advances, rent, wages, or profit. As much of it indeed as he destines to pay his next year's rent or wages, may be termed rent or wages because that is its actual application: but I do not see how what goes to keep up his machinery or stock can be called profit, that is, remuneration for abstinence, since he would have had it and could have consumed it if he had not abstained. He had it when he began business. It may have been profit once, or wages, or rent: but it has long ceased to be so.

Ad I, p. 170, towards end of third paragraph in second column,

II, p. 100, towards end of third paragraph,

to the sentence: "When he termed profit a part of the cost of production, he appears to us to have meant not profit, but that conduct which is repaid by profit".

I conceive rather that he & every one else, when they included profit in cost of production, meant not the profit of the actual producer, but the profit of the producers of his machinery, & other articles of capital which formed part of the price paid, & thence part of his own outlay, on which his profit is to be estimated. I am confirmed in this opinion by remembering that it is chiefly that previous profit which affects price: for it is chiefly in that way (though not wholly so) that profit enters more largely into the conditions of production of one commodity than into those of another.

Ad I, p. 173, middle of fourth paragraph of second column,
 II, p. 107, middle of last paragraph,
 to the sentence: "The price falls in consequence of the increased supply".

It does not seem to be necessary that the price when it begins to rise should overshoot the mark. Probably all that happens is a gradual rise of the price of the raw produce, & (proceeding *pari passu* with it) a gradual extension of cultivation a little further off.

Ad I, p. 186, first sentence of second paragraph, second column,
 II, p. 138, first sentence of first new paragraph:

"Mr. Ricardo seem to have forgotten that the quality which enables land to afford rent, namely, the power of producing the subsistence of more persons than are required for its cultivation, is an advantage without which rent could not have existed".

But manufacturers possess the same advantage without the accompanying disadvantage. They produce the clothing, &c., of more persons than are required for carrying them on. All industry has this quality; & it is the disadvantage only which is peculiar to land, & which causes land to pay a rent & machinery not. This is all that Ricardo said; & on the whole I do not see any value in this criticism upon him.

Ad I, p. 189, end of first paragraph of first column,
 II, p. 143, end of paragraph,

to the sentences: "Now we know that general variations in the amount of wages to the amount of one-tenth or one-fifth, or to a greater extent, are not of unfrequent occurrence. Yet who ever heard of their producing such an effect on profits?" [namely, "utterly to destroy all profit whatever".]

It would if the capitalist were only receiving profit on what his *labourers* produce. But he is receiving it on his fixed capital too.

Ad I, p. 189, first sentence of third paragraph, first column,
 II, p. 144, first sentence of second paragraph:

"Did Mr. Place ever apply this doctrine when his men asked for higher wages on a general mourning?"

That is not a *general* rise of wages, & therefore can be compensated by a rise of price. The objection seems to me irrelevant.

Ad I, p. 190, in first column, last paragraph,

II, p. 147, end of fifth paragraph,
 to the sentence: "The whole of the confusion has been occasioned by the verbal ambiguity which we have pointed out, and would not have arisen if Mr. Ricardo had used any other adjectives than *high* and *low* to express a larger or smaller proportion".

It seems to me that the confusion stated to have been occasioned is over estimated. I do not believe that anybody was thinking of low wages in France in reference to the comforts of the labourer, but in reference to the cost of his labour to the employer—which is the only sense in which wages either affect profits or enable a producer to undersell—& the question was, which of the two effects would take place. The cost of wages to the capitalist is a phrase synonymous with proportional wages, or wages in Ricardo's sense.

Ad I, p. 193, first third of last paragraph of first column,

II, p. 154, first paragraph, at second semi-colon,
 to the sentence: "We know of no definition of that term [capital] which will not include many things that are not used by the labouring classes".

The use of the word Capital requires to be very deliberately reconsidered by pol. economists, but I think the word should be used in a sense which would cancel this paragraph. I would call capital, what anyone possesses which he designs for productive use either in itself or in what it will purchase. If all the food in this country were to be destroyed to-night, & every capitalist determined still to keep up the extent of his productive operations, I should say our capital was undiminished, though much of it must change its shape before it could be used as capital. If half the plate-glass was destroyed & and the remainder sold for as much as the whole did before, I should say the capital of the country was *not* diminished: the whole loss would fall on the revenue of the purchasers, & next year's productive operations would be unimpaired. I think a peculiar use of the word capital confuses exceedingly the latter part of this Treatise.

Ad I, p. 194, first sentence of second paragraph, second column,

II, p. 156, last paragraph,

to the sentence: "This reasoning assumes that the landlord, while resident in Ireland, himself personally devours all the cattle produced on his estates";

No. It only assumes that whatever he did not personally devour would continue to be exported notwithstanding his residence in Ireland. And it surely would; since it was exported before not for his own eating but for that of foreigners.

This seems to me to destroy the distinction here set up between countries which do & which do not export raw produce.

What the landlord paid out of his income, directly in wages of labour, would certainly benefit the native labourers whether the country exported raw produce or not. But to the extent of the food wanted by the additional native labourers whose labour he so purchased, *more* raw produce must be *grown*.

I think confusion worse confounded is the result of calling nothing capital till it is in the state in which it can be used as such. According to my view, it is net increase of food which raises wages: it is certain purposes in the minds of capitalists which make them bid higher for labour, *that* raises wages, & the rise of wages *causes* the production or importation of the necessary increase of food.

This is the only difference of any importance between the doctrines of the science as I conceive them and those taught in this book.

Ad I, p. 197, penultimate sentence of first paragraph, second column,

II, p. 164, penultimate sentence of first paragraph,

to the sentence: "The number of books extant at any one period before the invention of the printing-press was probably smaller than that which is now produced in a single day".

These instances are not conclusive, for in order to produce this increased quantity, capital may have been drawn from other employments, & the whole annual produce of the country diminished, though the production of that one article has increased.

Ad I, p. 201, penultimate sentence of first paragraph,

II, p. 172, penultimate sentence of first paragraph,

to the sentence: No one would maintain . . . that if it were the practice, as it is in semi-barbarous Countries, to maintain servants to produce within their masters' walls the commodities which we are accustomed to purchase from shops, such as the fine clothes or furniture to which Mr. Ricardo alludes, the demand for labour would be increased".

Surely the demand for labour *would* be increased: the commodity would be produced by the capital of the purchaser. It is the same thing as if the purchaser saved his income to set up a manufactory. Surely if that did not increase the demand for labour, nothing would.

Ricardo seems to me quite right. The doctrine here maintained in opposition to him, arises I think from what I have ventured to call a misuse of the word capital.

If I ceased to buy (suppose) silks, and with the money they cost, hired servants, I should add to the fund for the purchase of labour. The silk manufacturer's capital remains as before; & I come into the market too, as a competitor with him. The commodities on which the labourers will chuse to spend their increased wages, are not yet increased, it is true; but (I contend) that increase always *follows* instead of preceding & causing the rise of wages. Rise of wages means, the labourer's having more given him—more commodities, more exchangeable value, for his labour: his tastes & wants & the demand they generate, *afterwards*, determine what commodities shall be produced to meet that demand. Thus the series of facts is not, 1st, increase of necessaries & labourer's luxuries 2^d, consequent rise of wages. It is, 1st, increase of commodities of any kind destined by their owners for productive employment, 2^d, rise of wages, 3^d, increased demand for necessaries & labourer's luxuries; 4th, increased production of them.

Ad I, p. 201, third paragraph of second column,

II, p. 174, first paragraph,

at the margin against the underlined words: "to the use of the labouring population".

I would say "to be expended in the purchase of labour".

If my view is correct all the sequel of the book is, of course, unnecessarily complex & obscure, as well as occasionally erroneous.

Ad I, p. 204, end of penultimate paragraph,

II, p. 181, end of second paragraph,

to the sentence: "They draw their subsistence not from the common fund, such as it otherwise would be, but from the addition made to that fund by that extraordinary productiveness".

This would be true if the landlords took the men into their houses & maintained them while they produced those articles. But the fact is that these labourers would not exist unless there was a capitalist who chose to devote a portion of what he might enjoy, to the purpose of paying labourers to manufacture goods for the use of landlords. Now if rent were all thrown into the sea & this capital remained, the labourers would still receive value from the capitalist which they would want to lay out in food & (unless the power of all soils were already tasked to the utmost) could get it. I contend therefore that they *are* maintained out of a common fund & not out of rent.