

SIR JAMES STEUART ON VALUE AND PRICES*

By
Anastassios D. Karayiannis
Lecturer
University of Piraeus, Dept of Economics

Introduction

The central points of this paper are: first, to analyze Steuart's theory of value in order to demonstrate that his theory is not a pure theory of value, as some commentators have characterized it, but a quasi one. Then, the real content of Steuart's theory of value is revealed. Second, to clarify his treatment of the operation of market competition, and at last, to justify his skillful and some times pioneering explanation of the formation and establishment of equilibrium prices. Third, to show how his theories of value and prices are connected and what are the consequences of an increase in the level of prices to economic growth.

Steuart was more concerned with the study of market phenomena than with an abstract theory of value. However we begin this paper with an examination of his theory of value (section 1) before proceeding to his theory of market price determination. The actual working of markets evidently bears on the determination of prices, and we therefore interpose Steuart's "empirical" analysis of markets (section 2) between the value theory and his theory of price determination and the consequences of the price level on economic growth (section 3). Though Steuart's interest is concentrated mostly upon the function and the problems of a "modern", or "money economy" we shall analyze the subject in question in an environment where money plays no other role than that of the unit of account, i.e. the numeraire. Moreover, despite the fact that Steuart developed his analysis on value and prices in relation to foreign trade we shall try to minimize the emphasis putted on it¹.

* This article is based on my M. Phil thesis, (The University of Dundee, 1987). I wish to thank Professor A. Gee for his valuable comments and suggestions. Also, I wish to thank the anonymous referee of this journal for his useful comments.

At the same time through the above analysis, we shall try to examine the influences on Steuart's thought and his specific contributions. However, in doing so we need wherever possible, to illuminate the theories developed by his immediate predecessors and contemporaries and mainly by Petty, Locke, North, Law, Montesquieu, Hume, Cantillon, Rousseau, Harris, early Smith, and Turgot.

1. The theory of value

Value is not so important in Steuart's economic analysis as it is in Smith's, Ricardo's, or Marx's. However, Steuart related value, through the existence of "exchange equivalence" (1.93, 115, 117)² with the socioeconomic structure of society-i.e. the class stratification of society in "idle" consumers, farmers and free hands (1.43, 58; 2.710) - and the structure of production in different sectors (1.39 - 40; 1.154).

His relativistic and non dogmatic approach to economic analysis (2.339; Works, vol. 6, p. 13) manifests itself also in his value theory. Thus, unlike Petty who emphasized that «all things ought to be valued by two natural Denominations, which is Land and Labour; [thus]... we should be glad to find out a natural Par between Land and Labour» (1662, ed. Hull, pp. 44-5, brackets added) to be the absolute measure of value in every commodity - as other authors did after him - he did not search for an absolute measure of value, but only for an exegesis of relative values (Works, vol. 5, p. 175)³. However, even here he sometimes introduced an objective (i.e. cost of production) principle for an "intrinsic" or "real" explanation of relative values, and at other tries a subjective (i.e. eagerness to buy) principle of value determination.

The absence of an absolute measure of value - only by convention can we use an "ideal scale" of value by "paper money" (Works, vol. 5, p. 174; 1.315)-led Steuart to treat of relative values and the determination of prices. He took it for granted that the relative values of goods could only be compared with reference to their "intrinsic" or "real" values:

«In the price of goods, I consider two things as really existing, and quite different from one another; to wit; the real value of the commodity, and the profit upon alienation» (1.159). The profit upon alienation as «resulting from the sale must be exactly distinguished from the value of the merchandize. The first may vary, the last never can. It is this profit alone which can be influenced by competition; and it is for this reason we find such uniformity every where in the prices of goods of the same quality» (1.174).

Thus, Steuart emphasized the stability of the short-run relative values. He regards, more specifically, the stability of short-run values as mainly maintained through merchants' activity (1.161; 2.II.216).

Steuart developed the following principles on which he based his value theory:

First, the rate of equivalence in every exchange can be measured mainly by the relative production costs and labour productivity (1.159-60).

Second, those production costs are measured according to the average required subsistence and materials consumed in production (1.160; 1.312).

Third, the real or intrinsic value (i.e. the cost of production) sets a lower limit to price (1.11.244).

Fourth, the profit upon alienation, or the "relative" profit of manufacturer or merchant has no measurable basis; it arises through market forces. In other words, the relative profit is not considered as a necessary payment for a productive service (1.174).

If we follow Steuart's arguments, in the search of a sole source of value we will end up with "necessary labour time". That is, the labour required for the labourer's sustenance could give one measure of necessary labour time - this was the route followed by Ricardo in his model in which he "retranslated" labour time in terms of corn. In reality, indeed, Steuart considered explicitly that the value of the means of subsistence was the prime determinant of the value of commodities. Thus, he intended:

«to examine what it is, which in all countries must determine the standard prices of these articles of the first necessity; since the value of them does necessarily influence that of all others» (1.340).

But, how is the value of the means of subsistence determined, according to Steuart? Searching in his work we can recognize the following arguments leading to the main cause which determines the value of subsistence:

- 1) There is a national upper price limit of subsistence determined by the wage of the common labourer and a biologically determined necessary quantity of subsistence (2.342; 2.397).
- 2) The wage of "common" labourers is usually all spent on necessary subsistence (1.11.288).
- 3) The price of subsistence is overwhelmingly determined by the wage rate of the common labourer (2.342 - 3; 2.397 - 8; 2.697) - the same argument put forward also by Defoe (1728, p. 140).
- 4) The money wage of the common labourer is determined by the demand for labour on the part of merchants and manufacturers, and this demand in its turn is determined by the demand of the wealthier classes and the dictates of foreign trade (1.65; 2.397; 2.400-1; 2.691; 2.693).

- 5) All the above are based upon the assumption that there is a commercial society in which prices are determined in the market (2.440- 1; 2.347).

Therefore, we can find at the core of things that the value of necessary labour is demand determined, and does not directly depend upon the price of subsistence. In essence, the overall consumption pattern determined largely by the utility based demand of "idle consumers", which determines the level of employment, the structure of production and the money wage⁴. This explains why the class of "idle consumers" plays a vital role in Steuart's economic analysis, as the aggregate demand of this class determines both the spread of the market economy and the general growth of society (1.107; 1.127; 1.265; 2.724). However, the level of employment and the money wage rate, according to Steuart, in turn determine the average price of subsistence in the economy, and the real wage rate (2.345 - 6). This real wage rate is nothing more than the labour cost of subsistence which determines the "value" of the necessary labour time, which in turn is the most fundamental and/or the sole determinant of the value of commodities. In other words, Steuart's labour theory of value, is at bottom a demand orientated theory.

A further argument for considering Steuart's explanation of relative value to be based on the factor of demand is that the consumption preferences of labourers determine [Steuart is comparing the cost of subsistence in three countries different "in manner": England, Scotland and France (2.398-40)] what kind of subsistence goods will be produced, and so in turn the necessary volume of labour which is required for their production.

However, Steuart used his "quasi-labour theory of value"⁵ in his analysis of the content of a favorable balance of trade. He argues:

«The matter exported from a country, is what the country loses; the price of the labour exported, is what it gains. If the value of the matter imported be greater than the value of what is exported, the country gains. If a greater value of labour be imported, than exported, the country loses... It is therefore a general maxim, to discourage the importation of work, and to encourage the exportation of it» (1.291)⁶.

Moreover, Steuart employs his cost of production approach to the theory of value when he argues on behalf of the imposition of a "proportional tax", or expenditure tax, mostly upon luxury goods (2.690; 2.719; 2.733).

On the other hand, Steuart used his demand approach to the theory of value in emphasizing a drastic cause for the elimination of country's absolute advantage -

i.e. «a relative height of the price of [trading goods]» (1.247, brackets added)-in foreign trade. He argues that:

«If the workmen of the first country [which had the absolute advantage in the production of wool]... shall have raised their prices from time to time; and if, in consequence of large profits, long enjoyed without rivalry, these profits shall have been consolidated with the real value, in consequence of an *habitually greater expense in living, which implies an augmentation of wages*; this country may thereby lose all the advantages it had from the low price and superior quality of its wool» (1.239, brackets added and my emphasis).

On this problem he suggested two solutions, both including the statesman's actions. The first is that the statesman by his example, and not by violence, must try to change the consumption pattern of individuals. The statesman must be well aware that the rich citizens, having a conspicuous consumption behavior, always try to imitate his consumption pattern (1.281). The second, is that the statesman can impose a "proportional" or expenditure tax (2.712) on luxury goods, or tax "surplus", which «is here., the necessary fund of consumption for all the rich and idle» (2.679) - a kind of taxation which was well stressed during the mid - 17th century by Richardson (1744, pp. 149, 228), Hume (Of Taxes, ed. 1970, p. 85), and Rousseau (1758, pp. 147-8, 152-3). By this way the statesman may help to decrease the extent of luxury consumption in economy, and thus the rate of consolidated profits and wages in the prices of goods.

Though Steuart emphasized that the short - run rate of value is fixed, he considers that its long-run rate can be changed in a "progressive" economy. In justification of this Steuart offered the following causes which ultimately alter the "intrinsic" value of commodities: First, «There is one necessary augmentation upon the prices of industry, brought about by a very natural cause, viz. the increase of population which may imply a more expensive improvement of the soil; that is, an extension of agriculture» (1.198); this augmentation is the consequence of diminishing returns in agriculture, caused by the extensive cultivation (1.48; 1.130- 1) and the intensive cultivation of land (1.129; 1.197). The second, «proceed [s]... from the progress of industry itself» (1.198). That is, the increase of demand for labour may increase the real wage rate, or prices may increase at a lower rate than wages, so causing the rate of profit to fall (1.199). A third cause «of a necessary augmentation upon the intrinsic value of goods proceed from taxes» (1.199). Fourth, and of considerable importance, the intrinsic value of commodities may increase through the «*consolidation of extraordinary profits with the real value*» (1.II.366).

Therefore, according to Steuart the real value of commodities may increase in the long-run because of the "natural effects" of economic growth. Steuart,

recognizing the deleterious effects which the gradual increase of value has on the country's balance of trade and the continuation of economic growth-under his "growth and decay" thesis (Skinner, 1963, pp. 445-6)-calls on the statesman to intervene and regulate the price of subsistence (1.II.199-200). Therefore, Steuart considered long - run changes in the rate of intrinsic value of commodities explicitly to be caused by variations of the real cost and demand.

Nevertheless, Steuart emphasized the demand side of economy as the main factor which determines the rate of employment and growth. He was well aware of the imitation effect in consumption (1.272) and stressed the positive influence of the multiplied wants on the work effort of labourers (1.48 - 9; see also Karayiannis, 1990, pp. 782 — 3). Moreover, he was in behalf of luxury consumption when the country has not yet entered into foreign trade (1.248; 1.268), or when she was in the beginning of the stage of foreign trade (1.244-5). And argued, «unless the rich do augment their consumption, the poor cannot augment their industry» (2.725).

From the previous analysis is easily shown that Steuart stressed both the role of cost of production (i.e. real wage rate in this case) and demand as the exegesis of value. However, he insisted more on the second factor and in this way his insistence on demand as the most dynamic factor of the economy and society could be explained. Therefore, to characterize Steuart as a pure "labour theorist" of value as some commentators have done⁷ is misleading when set against the general corpus of his work. In our view, Steuart's twofold explanation of value may be justified as a consequence of his attempts to synthesize the two traditional approach to value theory, namely the "utility- scarcity" approach associated with Aristotle, Malynes, Barbon Law Pufendorf, Galiani etc. and the "cost of production" tradition associated with the Scholasticists, Petty, Cantillon etc. (Houmanidis, 1972, pp. 43-4, 59-60).

Let us see by whose writings (particularly of the 17th and 18th centuries) these two approaches reached Steuart, influenced him and probably have contributed to his twofold exegesis on the main principles determining the value of goods.

The traditional utility stream in the theory of value developed through the "scarcity and utility" exegesis of value which was more fully developed in the 17th and 18th centuries⁸, as reflected by frequent references to the "diamonds-water paradox" and the distinction between "free" and "economic" goods - mentioned by Law (1705, p. 4; see also Rashid, 1989, pp. 21, 30 ft. 39), F. Galiani (1751, p. 288), Harris (1757 - 8, part I, p. 12), Turgot (1769, pp. 138-9) and Smith (1763, p. 157). Steuart's demand approach of the value theory was probably influenced by the writings of Locke (Works, 1692, pp. 40- 1, 43-4; Vaughn, 1980, pp. 22-5), and Law (1705, pp. 4, 83)⁹.

Steuart, in regard to the other tradition of value theory, was not the first to put forward the idea of the "intrinsic", or cost of production value of commodities nor to discuss how it may be derived and measured. Or to put it differently, the "objective" explanation of the source of value had already been advanced by other eminent economists of the 17th and 18th centuries.

First of them was Petty, who developed a theory of value based upon the cost of production, and particularly the cost of labour and land (1662, ed. Hull, pp. 68, 180- 1). However, Petty's explanation of value is confronted with the well known problem of circularity in the measurement of relative values. This problem emerges from the fact, as Roncaglia (1985, p. 82) notes, that « the price of a product cannot be determined unless the prices of the means of production are known, but since these are also produced by means of production, their prices can only be determined if the prices of their means of production are known». Namely, we must know in advance the value of "a par and equation between land and labour" for the determination of the relative values of goods, having a predetermined and invariable rate; something which could be not justified at least empirically, though it could be justified deductively (see Sraffa's "standard commodity").

On the other hand, Cantillon, recognized the above mentioned weakness of Petty's analysis (1755, p. 43) and in order to obtain a sole explanatory principle of value, he reduced labour to its cost of sustenance and regeneration, that is to say, to the quantity of land used for this purpose (1755, p. 41). However, neither he succeeded in solving this problem as his own theory of value characterized by the same circularity «pertaining to all cost - of - production theories of prices: in general, costs of production cannot be known independently of prices» (Aspromourgos, 1989, p. 365). Cantillon in developing his theory of value uses the notion of "intrinsic" value (1755, pp. 29)-similar but by no means identical to Steuart's¹⁰. Thus it seems that Cantillon influenced Steuart's value analysis but both these authors were probably influenced by Petty's treatment of real value. However the difference between Cantillon's and Steuart's theory of the "intrinsic" value of a commodity is found in the treatment of the short and long - run rate of value. Cantillon considered that the long - run "intrinsic" value never varied (1755, p. 31), while Steuart, as we have seen, recognized that any long - run change in real labour cost (in terms of the value of subsistence), brings a variation in the intrinsic value of goods.

Harris, probably building on Petty and Cantillon, developed a real cost theory of relative values (1757 - 8, part. I pp. 12-3) and perhaps greatly influenced Steuart. He conceived that for the greater part of goods the more important source of value was labour (Ibid. p. 14). Therefore, «the wages of the lower class... as well the common artificers as the husbandmen, seems to be the main and ultimate standard

that regulates the values of all commodities» (ibid, p. 17). But how is the real subsistence wage of labour the more important determinant of value, determined? Harris' answer to this question has a modern content. He recognized that if we regard the minimum subsistence level as that equal to "maintain the labourer and his family in ordinary food and clothing" (1757-8, part. I p. 15), its value is determined ultimately by the productivity of labour and land (ibid, pp. 10, 15, 19 ft).

The conclusion that we can draw from the previous analysis is that Steuart obviously, in the theory of value was influenced in one way and another, by his predecessors and contemporaries. However, he tried to take things further and to develop his own theory of value by relating the two main determinants of value, namely, wage and demand, but we think the result is rather perplexing.

However, in general, in a primitive economy Steuart could have regarded labour time as the chief determinant of real value; while, for a "modern" economy the extent and the intensity of demand would be the main determinants, something which never he developed at least explicitly. Perhaps his use of intermixed methodological instruments, i.e. induction, deduction and historicism (1.6-9; 1.17; 1.142; Campbell, 1953, pp. 32-3; Skinner, 1965, pp. 274, 279; 1966, p. lxi; Davie, 1967, p. 293; Hollander, 1973, p. 42) did not allow him to extract through deduction (mainly), or induction either, a sole source of value determination in different economic societies.

2. The structure and the function of market

Steuart analyzed adequately the competitive market behavior of individuals as consumers and producers. He developed mostly a competitive market model, not because he was not aware of monopolistic forces, but rather because he recognized that monopoly was not a normal market model being sustained mostly by state's privileges and the "power" of capital. He analyzed a more realistic market model of his time, where competition took place between small scale firms and where the entrepreneurial and the labourer's function was concentrated in one's man activity. Thus, he turns against to any monopoly market power (1.175).

To begin with, Steuart describes competition as follows:

«The term competition is relative to, and conveys the idea of emulation between two parties striving to compass the same end» (1.247), this spirit of emulation being «inseparable from the nature of man» (1.232).

For Steuart self-interest refers to economic interest (1.142-3)-an argument developed also by Mandeville (1714, pp. 118,125, 131, 173-4), Hume (Of Commerce,

ed. 1970, p. 27) etc. Its most visible aspect is the pursuit of material wealth, which is realized through the profit motive on the part of producers and merchants - a view stressed also by Rousseau (1754, p. 132). Steuart described very clearly the way in which the exercise of the profit motive reinforces competition between businessmen.

«It is impossible to suppose the same degree of eagerness, either to buy or to sell, among several merchants; because *the degree of eagerness I take to be exactly in proportion to their view of profit*; and as this must necessarily be influenced and regulated by different circumstances, that buyer, who has the best prospect of selling again with profit, obliges him, whose prospect is not so good, to content himself with less; and that seller, who has bought to the best advantage, obliges him, who has paid dearer for the merchandize, to moderate his desire of gain» (1.173-4).

While, on the side of consumer, Steuart notices that:

«the principle of self-interest... engages every consumer to seek the cheapest and the best market» (1.203) for buying.

Moreover, Steuart described as follows the types of competition which exist on the side of producers and consumers. He distinguished between two basic types: simple and double competition. The first one marks competition exercised only on one side of the exchange contract while the second «takes place on both sides of the contract at once, or vibrates alternately from one to the other. This is what restrains prices to the adequate value of the merchandize» (1.172). In other words, Steuart distinguished between monopoly and/or monopsony and free market competition. However his analysis is concentrated mostly on the free competition, while his analysis of monopoly as a "market form" was nearly non-existent.

The principles and the elements which compose and determine the function of free competition, according to Steuart, may be deduced from empirical observation of the forces of supply and demand¹¹. Thus he identified the following conditions as necessary to free, that is without statesman's intervention (Skinner, 1965 Febr. p. 274), competition.

First, the entrepreneurs of producers and merchants who pursue profit maximization are of differing "prospects" (1.173). This presupposes firms acting under different productivities for the production of "quasi" similar products, while at the same time the market is considered as performing a Darwin type function.

Second, a necessary element of competition is the existence and diffusion of knowledge and information in regard to different market situations and different commodities. The specific mechanism of acquiring all these necessary elements for the smooth functioning of the market, is attributed by Steuart to merchants who gather knowledge through experience (1.158-9).

Third, free competition requires a large number of suppliers and demanders, whose self interested behavior, determines market prices of commodities¹². Such behavior being predicated on "ex ante" magnitudes and, more specifically, on price expectations (1.174-5).

Fourth, the market prices are determined through the bargaining process (1.173) - the same approach on market price formation were followed by Cantillon (1755, pp. 117-9) and Turgot (1766, p. 135; 1769, p. 142).

Fifth, changes in the rate of profit cause a readjustment in the number of firms operating in the market through free entry and exit. This process determines a moderate profit rate between the different productions (or trades) and an allocation of resources between them, according to the market forces of demand and supply (1.90; 1.162).

For Steuart, there are two advantageous effects of competition: the establishment of prices for all commodities, and the maximum possible production through the free and undisturbed behavior of sellers' competition. He emphasized mostly the first result, but did not ignore the second.

Given the self interested behavior of individuals and the (above enumerated) free market conditions the same market price of a specific commodity will be established throughout the whole market:

«and when we say that the balance between work and demand is to be sustained in equilibrio, as far as possible, we mean that the quantity supplied should be in proportion to the quantity demanded, that is, wanted. While, the balance stands justly poised, prices are found in the adequate proportion of the real expense of making the goods, with a small addition for profit to the manufacturer and merchant» (1.189).

However, this market price could vibrate between the lower limit as set by the real value of the commodity and an upper limit as determined by demand fluctuations (1.177-8).

Steuart considers demand as the prime determinant of market price and resource allocation¹³. He was not alone in this, but it was he who undertook the most extensive analysis of different types of demand, such as "simple", "double", and "effective", which in turn were classed as "great" or "small", "high" or "low". Also, as Skinner (1966, pp. 152-3, ft. 1) points out, «Steuart would appear to have been seeking a distinction between movements along a demand curve and the shifts in demand schedules» [see Steuart, 1.153; 165]. With respect to the negative slope of the demand curve, which Steuart describes fairly well (1.176), he also stressed that

the intension and extension of demand is also determined by the purchasing power of consumers and the kind of good (necessary or luxury) (1.153).

Though Steuart's main emphasis was on the demand side of the market, he did not completely ignore the effect of the supply side. As we will see soon, he analyzed the price - quantity mechanism for the restoration of equilibrium in the short and long - run. In general, for Steuart the price of a specific commodity is a function of its usefulness, the tastes and income of consumers, the quantity supplied, its intrinsic value, and the kind (simple - double) of competition. The way in which all these elements contribute toward the establishment and/or fluctuations of market price in relation to the supply side of economy in the short and long - run, is the subject of analysis in the following section.

3. The Theory of Prices

The theory that prices are determined by the interaction of supply and demand, was not new in Steuart's time (see Rashid, 1986, 1989). This explanation of price formation has been emphasized already by various authors, as for example, by Locke (Works, 1962, pp. 31, 39-40), Law (1705, pp. 43, 62), Cantillon (1755, p. 13), Harris (1757-8, part I, p. 12), Turgot (1766, pp. 136-7, 155; 1770, p. 156), etc. However, Steuart extended the analysis of price formation into new ground. First, he clearly emphasized the role of time in the determination of market price (Skinner, 1967, pp. 280 - 1); second, he developed a market process toward equilibrium which has a real modern content. Upon these two subjects we shall concentrate our analysis as they could be considered the two most important contributions of Steuart to price theory.

At first, Steuart offers a description of market equilibrium between "work and demand"¹⁴, which is rather different from the modern one, viz:

«As long as any market is fully supplied with this sort of work, and no more; those who are employed in it live by their trade, and gain no unreasonable profit: because there is then no violent competition upon one side only, neither between the workmen, nor between those who buy from them, and the balance gently vibrates under the influence of a double competition. This is the representation of a perfect balance» (1.189-90).

In other words, for Steuart the market is in equilibrium when there take place only temporary and small differences between demand and supply. These differences play the role of market promotion. When the «balance of work and demand... vibrates in moderation, and by short alternate risings and sinkings, then industry and trade go on prosperously, and are in harmony with each other; because both parties gain»

(1.194). Thus Steuart did not consider an equilibrium price in its strict sense as a point in a Cartesian diagram but as a set of points in Euclidean space, or as a set of equilibrium prices which fluctuate between some limits which does not produce abnormal profits and/or losses to producers. This set of prices is around the rate of "intrinsic" value of goods¹⁵, and could be considered, generally speaking, as corresponding to the notion of Smith's natural value (1763, p. 173).

On the other hand, according to Steuart, if these fluctuations are more extensive and permanent, then the market is in disequilibrium, and where there is no endogeneous mechanism for the restoration of equilibrium - as in the case of long - run permanent disequilibrium - then the statesman must intervene. However, for Steuart there would always be a difference between the market price and the set of prices which represent the "natural" price. The question is if this difference will be temporary or permanent, and how the restoration of "equilibrium" takes place.

The circumstances, according to Steuart, which determine the market prices «may be reduced to four principal heads:

First, The abundance of the things to be valued.

Secondly, The demand which mankind make for them.

Thirdly, The competition between the demanders; and

Fourthly, The extent of the faculties of the demanders» (2.409)¹⁶.

It is obvious that Steuart put more emphasis on the side of demand as the primary factor determining the price of commodities. This is because (and in harmony with his value theory as presented in section 1.) he regarded the suppliers as in reality the demanders on the other side of the "contract". In fact, he used the notion of reciprocal demand as we can see from the following statement: «In all trade there is an exchange, and in all exchange... there is a reciprocal demand implied» (1.165).

This argument of Steuart brings to mind the modern approach to market equilibrium which describes equilibrium price as that price at which excess demand is zero. Prices are seen here as the adjustment mechanism whereby equilibrium is attained, as Steuart recognized, through a bargaining process and/or merchants' intervention. Steuart employs this analysis of the establishment of market equilibrium price mostly for the determination of market price in the short - run. He describes as follows the restoration process toward equilibrium in the short-run¹⁷:

«In proportion... as the rising of prices can stop demand, or the sinking of prices can increase it, in the same proportion will competition prevent either the rise or the fall from being carried beyond a certain length: and if such a case can be put, where the rising of prices cannot stop demand, nor the lowering of prices augment it, in such cases double competition does not subsist» (1.177).

More analytical, for Steuart, in the short-run the balance of "work and demand",,

«is overturned in four different ways.

Either the demand diminishes, and the work remains the same:

Or the work diminishes, and the demand remains:

Or the demand increases, and the work remains:

Or the work increases, and the demand remains.

Now each of these four relations between demand and work may, or may not, produce a competition upon one side of the contract only» (1.190) through changes of the market price.

Therefore,

«If demand diminishes, and work remains the same... either those who furnish the work will enter into competition... and prices will fall below the reasonable standard of the even balance; or *they will not enter into competition, and then prices continuing as formerly...* Let us now, on the other hand, suppose demand to increase, and work to remain as before... The demanders will either enter into competition and raise the price of work, or *they will enter into no competition*» (1.190, my emphasis).

By using the tools of demand and supply curves of a good, and following Steuart's arguments, we can show diagrammatically the path by which the market mechanism rectores equilibrium¹⁸.

In figure (1a) let us say that (P^*) is the rate of "intrinsic" value or "natural" value of good, and the (S) and (D) are short - run schedules of demand and supply, while the (S) curve has a special meaning, is the reciprocal demand curve of the supplier. Hence, we can draw a Walrasian figure excess demand curve as in (1b). In regard to above Steuart's statements, in one case, either we shall have excess demand and (E^*) will move upward to (E^* equal to (be) and thus price will move toward (P^*) as the arrow show; or we shall have excess demand but the market will remain in disequilibrium situation because of non responsiveness of demanders, i.e. the market will function under (P^*) price and (be) excess demand. In the second case we shall have excess supply and (E^*) moves to (E_j) equal to (ab) and price moves (as arrow shows) toward (P_2); or the behavior of producers will not change and thus we shall have disequilibrium in excess supply (ab) at price rate (P^*).

Obviously Steuart explained the short - run disequilibrium possibility without insisting on its existence. However, he held that the maintenance of long-run disequilibrium caused some problems in economy, the most serious of which was involuntary unemployment. As we have seen, in the short run Steuart applied the

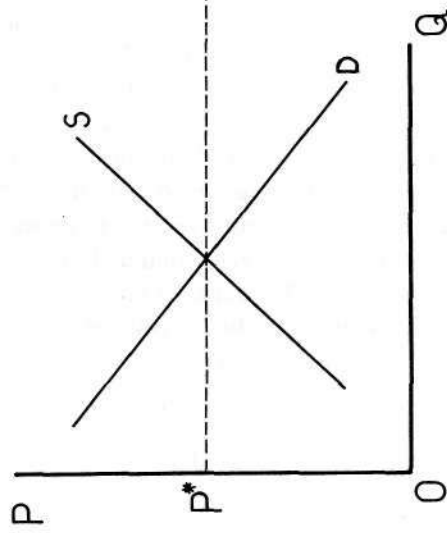


Figure (1a)

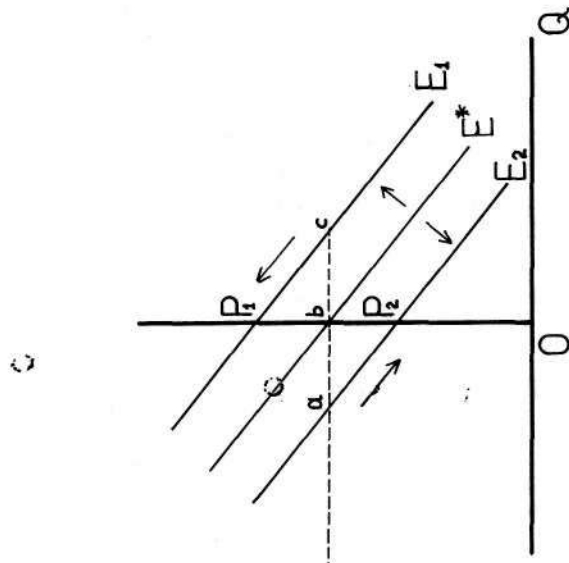


Figure (1b)

market clearing price approach in the determination of equilibrium price which could be higher or lower than the "intrinsic" value of commodities and thus produce temporarily either profits above the normal level or losses (2.397). Steuart did not stop to examine particularly the above cases of temporary excess profit and loss, perhaps because he conceived them as short-run market "vibrations" which produce a re-allocation of resources and promote production (1.194). In contrast, Cantillon who was well aware of the market process toward equilibrium price, that is, the cost of production price, or the "intrinsic" value of a commodity¹⁹, emphasized the possibility of losses (1755, p. 29). This difference in emphasis between Steuart and Cantillon on the subject of short-run losses is attributed to their different treatment of the entrepreneurial function and its reward. Steuart never explicitly and extensively elaborated on the distinct class of entrepreneurs because he considered that any "industrious" man is both entrepreneur and worker. While, Cantillon explicitly emphasized the role of entrepreneurs in uncertainty-bearing and its special reward, i.e. the net profit (1755, pp. 47-53; see also Karayiannis, 1988, pp. 37-8).

In regard to the long-run market process Steuart recognized that the market price may be above or below the market equilibrium supply price, and now supply will adjust to restore natural prices in the market (Skinner, 1967, p. 281; 1986, p. 16). Thus, if the quantity supplied is highly elastic with respect to prices, «prices will stand as they were because supply is supposed to augment in proportion» (2.344). Supply adjusts in this way because if the natural supply price is below market price (that is demand price) there is a high rate of profit, which induces producers to increase the supply until market price and supply price are equal. However, occasions can arise when natural supply price and market price may be different for quite long periods of time. If so, and in the case where supply price is below market price, there will then be

«a strong, hurtful, and lasting competition, upon one side only, then, I say, the balance is overturned; because this diminishes the reasonable profits, or perhaps, indeed, obliges the workmen to sell below prime cost» (1.191 -2).

On the contrary, if market price is above natural supply price

«a competition will take place among the demanders only, which raise profits. Now if, after a short vibration, the supply comes to be increased by the statesman's care, no harm will ensue; competition will change sides, and profits will come down again to the perfect standard. But if the scale of demand remains preponderating, and so keeps profits high, the consequence will be, that, in a little time, not only the immediate seller of the goods, but also every one who has contributed to the manufacture, will insist upon sharing these new profits. Now the evil is not, that every one should share, or that the profits should swell, as long as they are supported by demand, and as long as they can truly be

considered as precarious; but the mischief is, that, in consequence of this wide repartition, and by such profits subsisting for a long time, they insensibly become consolidated, or, as it were, transformed into the intrinsic value of the goods» (1.192-3).

The consolidation of profits into the real value of goods causes a downward inflexibility of prices, and Steuart emphasized the likelihood and importance of such inflexibility (3.III. 11). At the same time, a price increase in one sector of the economy will cause prices to rise in others, and hence an increase in the general price level (2.II.221).

For Steuart the general diffusion of high prices is hurtful to the economy²⁰, because it diminishes the absolute advantage in international trade, and increases the level of unemployment. Steuart did not recognize any self-adjusting market mechanism in this case, and so called for the statesman's intervention to prevent such a situation (1.193-4; 1.251) and/or to maintain or restore a natural equilibrium consistent with "optimal" intrinsic values.

Steuart emphasized two causes of "involuntary" unemployment - except from the temporary unemployment caused by the introduction of machines, or labour saving innovations (1.121 -2)-produced by the existence of profit consolidation. On the one hand the rise of long - run market price will decrease exports and, by extension, the effective demand in the economy. In this case Steuart considered that in regard to the downward inflexibility of prices,

«The first natural and immediate effect of this, is, to diminish the hands employed in furnishing the foreign demand; consequently, to diminish the supply» (1.248). Thus, the method «of reducing consolidated profits, whether upon articles of exportation, or home consumption, is to increase the number of hands employed in supplying them» (1.250).

On the other hand, the existence of large profits increases hoarding, though there is the mechanism of interest for its elimination (2.452; see also Karayiannis, 1988, p. 40). However, when there is hoarding «consumption and the demand for work would diminish in proportion to the part of the income withheld» (2.649). Steuart considered that hoarding increases when profits increase and then, produces a diminution to effective demand which causes mainly an increase in unemployment rather than a decrease in profits and prices (1.245). And in this case the intervention of the statesman is needed, for the restoration of unemployment and the increase of effective demand, through the increase of public debt (2.642, 644), the taxation on luxury consumption (2. 671-2, 735), and the temporary increase of the public expenditures (1.294-5).

To recapitulate, Steuart was well aware that the responsiveness of supply to demand was of prime importance at least in the long run, and it was the statesman's duty to prevent the consolidation of super-normal profits into real value. Let us see now how Steuart's theory of value relates to his analysis of market price.

According to Steuart, as we have seen, the equilibrium market price is made up of four elements: the wages of labour, the other expenses (in material etc.) of production, a profit for the producer, and a profit upon alienation. He regarded the latter as a factual phenomenon, rather than a payment to be explained at a theoretical level, and treated it as the difference between the real and market price of a commodity for every equilibrium level of market price. He adopted a mercantilistic point of view towards profit upon alienation, considering it necessary for internal and external trade, and hence for the economic growth of society. Profit upon alienation is necessary if merchants are to exist and a commercial society to develop as a result (Karayiannis, 1988, pp. 36-9).

On the other hand, for Steuart, the market price cannot be sustained below the level determined by wage costs, material costs, and normal producers profits. However, he is not very specific as to the determination of normal profit. Was it a remuneration for producer's labour?, or for his capital contributions during the time interval of production process? In any event, he considered that there must be a rate of profit in the economy to function both as a wage and an incentive for the continuation and enlargement of production (Karayiannis, 1988, pp. 34, 37).

Thus, here we confront a theoretical problem which remind us the so called "transformation problem" of Marx. According to Steuart, broadly speaking, the subsistence wage rate is the most important determinant of real value, but market price must include normal profit. Much of Steuart's analysis of competition was directed of showing how it established a normal rate of profit, and what could happen if this rate of profit increased in the short and the long run. Now, it seems obvious that in equilibrium the sum of all produced real values in economy can not be equal to the sum of the market price of commodities produced and sold. Because, the latter at least includes the normal rate of profit which, though it emerges from the market process is absolutely absent as a source of value. At the same time he viewed the consolidation of super-normal rates of profit into the real value of commodities with suspicion. Steuart's treatment is therefore conceptually flawed because his starting point is to define real value as not including any rate of profit. However, he partly justified the difference between the sum of total values and the sum of total prices as a reward of the property of land (rent) and money (interest) (Karayiannis, 1988, pp. 39 — 40). In regard to his "confusion" between contractual rewards (e.g. wages) and not contractual (e.g. profit) there can be only one explanation for Steuart's

position. It is that he considered that the most part of production was carried on by small units where the "capitalist" and the "labourer" were one and the same person. In this case the total reward of any one producer can be predetermined by the level of real wage and the normal rate of profit as regulated by market competition.

Let us see now the evolution of an economy where the conditions determining the real value and the market price have a specific tendency, as Steuart supposed to have. Let us assume that suddenly we have an increase in demand for a specific non subsistence good which in the short run increases the rate of producers' profit. Now the producer with his new larger income will increase his effective demand either for luxury goods or subsistence goods or both. In all cases there is a tendency, for prices to rise. If the increased demand persists for this specific luxury good then the producer after a time will adopt his new consumption pattern as the new level of his "physical and political necessities" consumption goods. In other words, the producer will consolidate a part of his new rate of profit into his minimum (it increases through development) real wage. These direct and indirect price increases will in turn influence costs in other production processes, until at last we shall have an overall increase in the level of real wage in terms of a newly established level of subsistence. Thus, there has been an increase in the general level of the real value of commodities, which will of course be reflected in market prices.

The above analysis also holds in the case where there is a distinction between the role of producer and labourer. In that case the producer, considering that an increased demand rewards him with a higher rate of profit, will try to increase production by hiring more labour. This will increase the income level of the laboring class through higher wages (in the case of full employment). In turn, this will increase the demand for subsistence goods, or will extend the labourer's consumption pattern to luxury goods. The effect will be the same. After a while, both the producer and the labourer will adopt a higher than before level of consumption and demand, that is to say, they will consider a new and higher "physical and political" bundle of goods as the proper one for their position. Thus, not only we shall have a new and higher "minimum" level of real wages in terms of subsistence, but also a new and higher level of normal profits. Both of them will increase the supply price of goods in the market and if there is an adequate demand after a period of time we shall have a new higher level of equilibrium prices in the economy. That is why Steuart mentions, «that the price of work is not regulated by the price of subsistence, but by the price of the market for the work... [and]... the price of the market may in a great measure be influenced by the price of subsistence... The first proposition is undeniable. The price of the market at all times regulates the price of work; because it regularly makes it fluctuate, in proportion to its own fluctuations. The price again, of subsistence influences it only; because two circumstances

may destroy its effect:... When... it is said, that the price of subsistence influences the rate of markets, we only mean, that the average price of subsistence... But this average price of subsistence cannot every where regulate the value of work... because the variations in the price of subsistence have not efficacy sufficient to overbalance the variations in the state of demand» (2.696).

Therefore, the consolidation of profits into the real value of goods can go on until the increase of price diminishes the demand, and that could happen immediately in the case of exportable goods.

It might be argued that when the demand begins to decrease the producers will cut the prices to restore sales, and that this in turn would decrease the wage rate and so re—establish the lower level of prices in the economy. However, Steuart did not consider that this inverse process of adjustment could take place, because of the downward inflexibility of supply prices due to the adoption of a new established more expensive "physical and political" consumption level of labourers and producers. The ultimate end of the above process will be the emergence of unemployment, a phenomenon to the abolition of which Steuart devoted a large part of his work. That is why he called for the statesman's intervention - not to "corecct" this hurtful situation but to prevent it.

4. Conclusion

From the previous analysis is clearly deduced that Steuart's economic views, in regard to value and prices, arose by a systematic and consistent treatment of market phenomena. Moreover, he did not repeat unchanged old arguments or ideas, but he elaborated on them with a penetrating and extensive analysis, in order to reproduce and/or present them in more scientific way.

Steuart's theory of value, though not so clear and original when compared with the relevant theories developed before and after him, was at least consistent with his "overall" economic model. More specifically, if his theory of value is evaluated bearing in mind that he considered demand to be the most important policy variable determining what stage of economic prosperity is attached, then it is clear that his value theory originated by two sources, the cost of production and demand. However, his twofold exegesis of the theory of value perhaps is due to the rather different influences exercised on him by his predecessors and contemporaries.

With regard to more empirical economic phenomena, he developed an analysis of the competitive market structure, emphasizing its main characteristics and the way

in which market forces are exercised. In his analysis of market price he stressed the dynamics of price formation, both short and long - run and their consequences in economic growth. Thus, the originality and extensiveness of his analysis of market price formation in terms of time, and his pioneering investigation of the effects produced on economy by the changes in the price level is indisputable.

NOTES

1. On Steuart's theory of foreign trade, see Sen, 1957; Skinner, 1963.
2. All references cited as follows: volume, book, page, (e.g. I.II.215), are to 1805 edition of Steuart's "Works". For Skinner's edition of "Principles" we cite volume and page only (e.g. 1.176).
3. Similarly, Turgot two years later in his unfinished paper "Value and Money" (1769) argued that «the thing which has value would not be evaluated» (1769, p. 137), because of «the impossibility of expressing value in terms of itself» (ibid. p. 145), thus, there are only relative values of the exchanged goods in the market (ibid. pp. 144-6).
4. A similar argument introduced also by Cantillon. As Aspromourgos (1989, p. 367) points out, for Cantillon, «Variations in the structure of consumption arise primarily from changes in the consumption by landowners»; again, «Cantillon concludes by emphasising the dominant role of the Prince and landowners in determining the composition of output and employment, also by a kind of demonstration effect their consumption patterns have upon the rest of the population,...» (ibid. p. 360, ft. 7).
5. By this term is characterized the non strict labour theory of value.
6. That is why Steuart comments that «The most profitable branches of exportation are those of work, the less profitable those of pure natural produce» (1.295) - a similar argument is put - forward by Harris (1757-8, part I. p. 24).
7. Steuart's theory of value has excited various comments from eminent historians of economic thought and other economists. For example, Marx in his "Zur Kritik der Politischen Oeconomie" (1859, ed. 1970, pp. 57 - 8) writes: Steuart's «clear differentiation between specifically social labour which manifests itself in exchange-value and concrete labour which yields use-values distinguishes Steuart from his predecessors and his successors». The Marxist I. Rubin (1929, p. 75) comments that Steuart in his analysis confused the notions of value in use and value in exchange. While, according to V.K. Dmitriev (1904, p. 40), «no traces of scientific analysis are... to be noted in his theory of production cost». On the other side, both Meek (1958, p. 296) and Spiegel (1971, p. 218) comment that Steuart in his analysis of value came very close to the Marxian concept of "socially necessary labour".
8. It could be said, that the above distinction of value theory draws its origins from the writings of Aristotle. More specifically, Aristotle (Politica, 1257a; Nicomachean Ethics, book V, 5 - 8) was the first recognized author who declared that in every exchangeable commodity there are two values, value in use and value in exchange, the first being the main determinant of the second (Houmanidis, 1982; Kauder, 1953). From this time on, the distinction between value in use and value in exchange was a common feature in the writings of the most authors who elaborated on the problem of value. On this see M. Bowley (1963); W. Grampp (1965, p. 80). On Smith's notion of "scarcity" see his "Lectures", (1763, p. 178), also on the influence of Pufendorf, Carmichael and Hutcheson on Smith's theory of value, see Taylor, 1965.
9. Also on the same line of analysis S. Fortrey considers that «where the commodity is scarce, and the vent great, the purchase is always dear» (1673, p. 238). D. North likewise regards as «Universal Maxim...

That Plenty of anything makes it cheap» (1691, pp. 518, 537). Also, Galiani during the mind of the 18th century emphasized explicitly utility and demand as the crucial determinant of the value of goods (1751, pp. 289, 297). However, he considered that a necessary constituent of the value of every "economic" good would be the labour used to its production - otherwise it will be a "free" good - which its costs determined the minimum market value of goods (1751, pp. 290-20), [see also, L. Houmanidis, 1978].

10. Akhtar notices that: «Steuart's treatment of value and prices is similar to that of Cantillon although somewhat less clear and considerably more elaborate» (1979, p. 23). The similarity of Steuart's and Cantillon's treatment of intrinsic value has noticed also by Vickers (1959, p. 251), and Skinner (ed. "Principles... 1966, p. 161, ft. 2).

11. A. Young criticized Steuart saying that in his analysis of market mechanism «draws his argument from the demand and competition of certain times, for certain commodities» only (1774, p. 116).

12. The same condition of competition, that is to say, the number of competitors and their actions, was also stressed by Cantillon (1755, p. 119).

13. Cantillon also emphasized demand as the key factor for the allocation of resources (1755, pp. 7, 61, 63-5).

14. Steuart uses the term "work" instead of supply because, as he says «the interests of the workmen are those which chiefly come under our consideration» (2.II.222).

15. Cantillon, defines the long - run equilibrium market price by this way: «the quantity of Produce or of Merchandise offered for sale, in proportion to the demand or number of Buyers, is the basis on which is fixed or always supposed to be fixed the actual Market Prices; and that in general these prices do not vary much from the intrinsic value» (1755, p. 119). While, for Harris the long-run equilibrium supply price must «include the prime cost; and the profits taken by the several dealers» (1757 - 8, Part I., p. 56). However, Harris emphasized, as Steuart did, that the market price is mainly demand determined (ibid. pp. 52, 76).

16. Smith in his early writings (1763) appears to take a similar position: «The regulation of the market price of goods depends on the three following articles; First, the demand, or need for the commodity... Secondly, the abundance or scarcity of the commodity in proportion to the need of it. If the commodity be scarce, the price is raised, but if the quantity be more than is sufficient to supply the demand, the price falls... Thirdly, the riches or poverty of those who demand» (1763, pp. 176-7).

17. Steuart's analysis of market process toward equilibrium makes Youngson to comment: «One wonders, even, whether Adam Smith's great idea of an equilibrium towards which prices tend would have been put forward if he had not read Steuart's "Inquiry"» (1967, p. 171).

18. On the diagrammatical presentation I have profited from the comments of Professor A. Gee.

19. For Cantillon, the market price for the continuation of production must cover: the "intrinsic" value, the transportation costs (1755, pp. 151 -3), the profit of entrepreneur as risk-bearing (ibid. p. 203), and the interest of capital if the entrepreneur «has perhaps borrowed» (ibid. p. 227).

20. Smith also considered that any disequilibrium between the market and natural price is hurtful for an economy (1763, pp. 173, 180). However, Smith emphasized the state's intervention as the main cause for this discrepancy between the market and natural prices (ibid. p. 179).

References

- Akhtar, M.* [1979], "An Analytical Outline of Sir James Steuart's Macroeconomic Model", Oxford Economic Papers, July.
- Aristotle, Politica*, trns. W.D. Ross, ed. Oxford at the Clarendon Press, 1926.
- Aristotle, Nicomachean Ethics*, trns. W. Ross, ed. Oxford at the Clarendon Press, 1923.
- Aspromourgos, T.* [1989], "The Theory of Production and Distribution in Cantillon's Essai", Oxford Economic Papers, No 41.
- Bowley, M.* [1963], "Some Seventeenth Century Contributions to the Theory of Value", *Economica*, May.
- Campbell, R.* [1953], *Sir James Steuart - A study in the development of economic thought*, PH. D, University of California.
- Cantillon, R.* [1755], *Essai sur la Nature du Commerce en General*, trns. H. Higgs, ed. A.M. Kelley, 1964.
- Davie, G.E.* [1967], "Anglophobe and Anglophil", *Scottish Journal of Political Economy*, November.
- Defoe, D.* (1728), *A Plan of the English Commerce*, in J.R. McCulloch: *A Select Collection of Scarce and Valuable Tracts on Commerce*, (1859), ed. A.M. Kelley, 1966.
- Dmitriev, V.K.* [1904], *Economic Essays on Value, Competition and Utility*, edited & trn. by D.M. Nuti, ed. Cambridge University Press, 1974.
- Fortrey, S.* [1673], *Englant's Interest and Improvement*, in J.R. McCulloch: *Early English Tracts on Commerce*, (1856), ed. Cambridge, 1952.
- Galiani, F.* [1751], *Delia Moneta*, in E.A. Monroe: *Early Economic Thought*, (1927), ed. Gordon Press, 1975.
- Grampp, W.* [1965], *Economic Liberalism — The Beginnings*, ed. Random House, 1965.
- Harris, J.* [1757 -8], *An Essay upon Money and Coins*, in J.R. McCulloch: *A Select Collection of Scarce and Valuable Tracts on Money*, (1856), ed. A.M. Kelley, 1966.
- Hollander, S.* [1973], *The Economics of Adam Smith*, ed. Heineman Educational Books, 1973.
- Houmanidis, L.* [1979], *History of Economic Theories*, ed. Papazisis Athens, (in Greek).
- Houmanidis, L.* [1978], "The Paradox of Value in Ferdinando Galiani", *Wirtschaftskrafte und Wirtschaftswege*. ed. Klett-Cotta, 1978.
- Houmanidis, L.* [1982], "Aristotle's Economic Ideas", *Spondai*.
- Hume, D.* [ed. 1970], *Writings on Economics*, edited with an introduction by E. Rotwein, 1970, ed. The University of Wisconsin Press.

- Karayiannis, A.D.* [1988], "James Steuart on Distribution", *Quaderni di Storia dell' Economia Politica*, vol. VI, No 2.
- Karayiannis, A.D.* [1990], "On the Rate of Wage and Work Effort in English Economic Thought: 1670-1770" in *Essays in Memory of Professor J. Hatzidonas*, ed. University of Piraeus (in Greek).
- Kauder, E.* [1953], "Genesis of the Marginal Utility Theory - From Aristotle to the end of the Eighteenth Century", *The Economic Journal*, September, 1953.
- Law, J.* [1705], *Money and Trade Considered*, ed. A.M. Kelley, 1966.
- Locke, J.* [1692], "Some considerations of the Consequences of lowering the Interest and raising the Value of Money", in *Works of John Locke*, vol. V. ed. London, 1823.
- Mandeville, B.* [1714], *The Fable of the Bees*, ed. Pelican Classics, 1970.
- Marx, K.* [1859], *Zur Kritik der Politischen Oeconomie*, engl. trn. ed. Lawrence & Wishart, 1970.
- Meek, P.* [1958], "The Economics of Control Prefigured by Sir James Steuart", *Science and Society*.
- Montesquieu, C.* [1748], *The Spirit of Laws*, trns. by T. Nugent, ed. J.&W. Clarke, London, 1893.
- North, Sir D.* [1691], *Discourses upon Trade*, in J.R. McCulloch: *Early English Tracts on Commerce*, (1856), ed. Cambridge, 1952.
- Petty, Sir W.* [1662], *A Treatise of Taxes and Contributions*, in *The Economic Writings of Sir William Petty*, edited η by C.H. Hull, (1899), ed. A.M. Kelley 1986.
- Rashid, S.* [1986], "Smith, Steuart, and Mercantilism-Comment", *Southern Economic Journal*, vol. 52.
- Rashid, S.* [1989], "Adam Smith and the Market Mechanism: Seemingly Unrelated Contemporaries", *Bureau of Economic and Business Research, Faculty Working Paper No 89- 1580*, University of Illinois.
- Richardson* [1744], *An Essay on the Causes of the Decline of the Foreign Trade*, 2nd ed. 1750, in J.R. McCulloch: *A Select Collection of Scarce and Valuable Tracts on Commerce*, (1859), ed. A.M. Kelley, 1966.
- Roncaglia, A.* [1985], *Petty-The Origin of Political Economy*, ed. University College Cardiff Press.
- Rubin, I.* [1929], *A History of Economic Thought*, ed. Ink Links, 1979.
- Rousseau, J.J.* [1754], *A Discourse on Inequality*, ed. Penguin Books, 1984.
- Rousseau, J.J.* [1758], *A Discourse on Political Economy*, in J.J. Rousseau: *The Social Contract and Discourses*, ed. J.M. Dent & Co. 1973.
- Sen, S.* [1957], *The Economics of Sir James Steuart*, ed. G. Bell & Co. 1957.
- Skinner, A.* [1963], "Sir James Steuart-International Relations", *The Economic History Review*, April.
- Skinner, A.* [1965], "Economics and the Problem of Method- An Eighteenth Century View", *Scottish Journal of Political Economy*.
- Skinner, A.* [1965 Feb.], "Economics and History-The Scottish Enlightenment", *Scottish Journal of Political Economy*, February.
- Skinner, A.* [1966], "Analytical Introduction", in *Sir James Steuart: An Inquiry into the Principles of Political Economy*, ed. Oliver & Boyd, 1966.

- Skinner, A.* [1967], "Money and Prices-A Critique of the Quantity Theory", *Scottish Journal of Political Economy*.
- Skinner, A.* [1986], "Sir James Steuart (1713 -1780)", University of Glasgow, August 1986, unpublished.
- Smith, A.* [1763], *Lectures on Justice, Police, Revenue and Arms*, edited by E. Cannan, ed. Oxford at the Clarendon Press, 1896.
- Spiegel, J.* [1971], *The Growth of Economic Thought*, ed. Prentice Hall.
- Steuart, Sir. J.* [1767] *An Inquiry into the Principles of Political Economy*, edited by A. Skinner, ed. Oliver & Boyd, 1966.
- Steuart, Sir. J.* [1805], *The Works, Political, Metaphysical & Chronological of Sir James Steuart*, in six volumes, ed. A.M. Kelley, 1967.
- Taylor, M.L.* [1965], *Francis Hutcheson and David Hume as predecessors of Adam Smith*, ed. Duke University Press.
- Turgot, A.R.* [1755], *Reflections on the Formation and the Distribution of Wealth*, in R. Meek: *Turgot on Progress, Sociology, and Economics*, ed. Cambridge at the University Press, 1973.
- Turgot, A.R.* [1769], "Value and Money", in P.D. Groenewegen: *The Economics of A.R. Turgot*, ed. Martinus Nijhoff, The Hague, 1977.
- Turgot, A.R.* [1770], "Extracts from Paper on Lending at Interest", (1770), in Groenewegen's edition.
- Vaughn, K.* [1980], *John Locke - Economist and Social Scientist*, ed. The University of Chicago Press, 1980.
- Vickers, D.* [1968], *Studies in the Theory of Money (1690 - 1776), (1959)*, ed. A.M. Kelley, 1968.
- Young, A.* [1774], *Political Arithmetic*, ed. A.M. Kelley, 1967.
- Youngson, A.J.* [1967], "Review article on Steuart's Principles edited by A. Skinner", *The Scottish Historical Review*.