Dispersed Knowledge and Individual Freedom: The Forgotten Popular Political Economy of Thomas Hodgskin

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Abstract: The importance of knowledge in a market economy is usually deemed to be an issue that only emerged in the 20th century. This paper argues that journalist and political essayist Thomas Hodgskin foreshadowed some of the basic tenets of the reflections by F. A. Hayek (among others) in the 20th century. The main focus of the paper is Hodgskin’s book Popular Political Economy. While often considered a “Ricardian socialist”, Hodgskin was instead a passionate follower of Adam Smith. However, he thought Smith did not fully appreciate the importance of human knowledge for the development of the economy. For Hodgskin, it is precisely because knowledge is dispersed in society, and legislators cannot come to master it, that the “system of natural liberty” should be upheld. The growth of knowledge is for Hodgskin a wholly “democratized” process, the whole of society is a great knowledge-creating enterprise: he emphasized the cognitive dimension of any human effort, maintaining that it was the free development of new ideas that empowered men. For this very reason, he thought that demographic growth was conducive to a more developed and innovative society. In Hodgskin’s perspective, government couldn’t but hinder the spontaneous “higgling of market”.

Keywords: Thomas Hodgskin, F. A. Hayek, dispersed knowledge, Adam Smith, innovation, population growth, creativity, Ricardian socialism, laissez-faire, Popular Political Economy.

The importance of knowledge in a market economy is usually deemed to be an issue that only emerged in the 20th century. Proponents of this perspective often cite F. A. Hayek’s “The Use of Knowledge in Society”—among his most renowned essays)—as a turning point, although its central contention was a broadly-investigated issue in the Austrian school. Hayek’s reflections on the impossibility of perfect knowledge meaning that problems cannot be solved by single decision-makers have important political implications. This thesis permeated his subsequent work in the field of political philosophy. Indeed, the notion that the economy can be arranged such that “a common scale of importance determines which of the various needs are to be satisfied” (Hayek, 1978, 183), and that prices and incomes should be adjusted according to a pre-existing vision of “just” outcomes was a fundamental belief held by the opponents of the market economy. Conversely, the emphasis on the unavoidable ignorance of political decision-makers is frequently the central argument of advocates for individual liberty.

While many see Hayek and other Austrian School thinkers as the fathers of this idea, Thomas Hodgskin (1787-1869) is an under-considered forebear of the same argument, and, like Hayek was similarly determined to draw political conclusions from it. In quite different circumstances and well before the “marginalist revolution,” it is possible to discern in his Popular Political Economy (1827) a number of early
speculations on the dispersed knowledge that underpins the division of labor. While Hodgskin has long been considered a “Ricardian socialist,” Popular Political Economy followed in the footsteps of Adam Smith in that it advocated a freer economy. However, Hodgskin’s argument in support of unfettered competition was based on his understanding of the role of knowledge in the economy. He maintained that Smith did not devote enough attention to the importance of knowledge to economic processes.

In this paper, I will introduce the reader to Hodgskin’s arguments by comparing them with related arguments from Smith and Hayek. Though it is my contention that Hodgskin anticipated several of Hayek’s most important ideas, I will not attempt to contrive a para-genealogy of Hayek’s thought.¹

A short biographical sketch

Thomas Hodgskin is a neglected figure in the history of political thought. He was born in Chatham in 1787. At the age of twelve, the young Thomas completed his formal education and was forced by his father to enlist in the Royal Navy.

He spent the following decade at sea, continuing his unystematic self-education with whatever books he managed to acquire. He believed that naval discipline was “one universal system of terror,” instilling “no obedience, but what was forced; no respect, but what was constrained” (Hodgskin, 1813, ix). Despite the fact that “for most of his service Hodgskin enjoyed an exemplary career” (Stack, 1998, p. 36), he was court-martialed for having let a prisoner under his charge escape, and for having subsequently written a disrespectful letter to his commanding officer regarding this matter. Hodgskin was demoted, thwarting his career prospects and making “a discontented and disappointed man” of him. Forced to return to civilian life and only supported by a modest pension, Hodgskin faced a world in which he had no real experience. With little formal education and no regular employment, he published a short polemic based upon his experiences in the Navy in 1813. Its title makes clear Hodgskin’s purpose: An Essay on Naval Discipline, Shewing Part of its evil Effects on the Minds of the Officers, on the Minds of the Men, and on the Community; with an Amended System, by which Pressing may be immediately abolished (Hodgskin, 1813). This short essay was simultaneously a condemnation of the brutality of naval discipline and an appeal to civil authorities for reform. Hodgskin considered it paradoxical that the Royal Navy, which was meant to preserve English liberties, relied so heavily on impressments.

In the same year, Hodgskin enrolled in the University of Edinburgh as a literature student, but he only attended a few classes. The turning point in his life was his meeting with Francis Place, a central figure in London’s political and intellectual scene. Through Place, Hodgskin was introduced to Jeremy Bentham and James Mill. However important these acquaintances were to be—he regarded Place with “an almost child-like admiration” (Stack, 1998, 57)—their influence on Hodgskin’s thought turned out to be surprisingly inconsequential. As Elie Halevy observed in the first systematic study of Thomas Hodgskin’s thought:

[a]gainst Benthamite Utilitarianism which reduced every deed of virtue to a plain and calculated act of individual prudence, he took up the defence of those moral promptings, which, although doubtless not free from the influence of prejudice and error, are an expression of the total experience of mankind and a prerequisite of knowledge and foresight. (Halevy, 1903/1956, 35)

It was thanks to Place that Hodgskin could embark on a long journey across Europe. In Paris he attended the lectures of Jean-Baptiste Say, and his extended time in Germany led to the publication of two volumes entitled Travels in the North of Germany (Hodgskin, 1820). The modest success of this work and other unprofitable attempts at making a living as a writer left Hodgskin in precarious financial circumstances. This changed for the better in 1822, when the influence of Place and Mill helped him to obtain a position as parliamentary reporter for the Morning Chronicle, which was edited by John Black. Later Hodgskin was involved in establishing the Mechanics Magazine, edited its sister publication The Chemist, wrote for assorted radical publications and eventually joined The Economist.² Hodgskin started at The Economist writing reviews of books and pamphlets on economic and social issues (Edwards, 1993, 127), and then became one of the publication’s most prolific contributors.

At The Economist, Hodgskin met Herbert Spencer.³ He wrote a very favorable review of Spencer’s first treatise, Social Statics (Spencer, 1851). After leaving The Economist in 1857, Hodgskin continued to work as a journalist. Gradually, however, he slipped into obscurity; no London newspaper reported his death in 1869 (Halevy, 1956, 165).

Hodgskin’s time at The Economist can be seen as a watershed. Before joining the newspaper he had completed his three major works: Labour Defended Against the Claims of Capital (1825) (authored under the pseudonym “a Labourer”), Popular Political Economy. Four Lectures...
Delivered at the London Mechanics Institution (1827) and The Natural and Artificial Rights of Property Contrasted (1832). After 1832, he only published a brief essay advocating the suppression of tariffs on imported grains: A Lecture on Free Trade in Connexion with the Corn Laws (Hodgskin, 1843). His final notable contribution consisted of two lectures on political power and the causes of crime, both of which were published in 1857 (Hodgskin, 1857a, 1857b).

The focus of this paper is Popular Political Economy—the essay that offers the most systematic illustration of Hodgskin's approach to economic issues. It is worth noting that Hodgskin is mainly remembered for his Labour Defended Against the Claims of Capital. According to H. S. Foxwell, this essay was the most "widely read on both shores of the Atlantic" and was instrumental in placing him among the pre-Marxian socialists (Foxwell, 1899, iv). Similarly, Alexander Gray states that:

among the English forerunners of Marx, it is Thomas Hodgskin who gives most clearly the impression of intellectual eminence and distinction, and who leaves most acutely a feeling that here was one designed for greatness which, owing to the misfits of time and life, was never attained. (Gray, 1946, 277)

Foxwell and Gray considered Hodgskin a British socialist because of his denial of any independent contribution of capital—and thus also the denial of the duty to reward it. To Hodgskin, capital is inert and only becomes productive when human labor is applied to it. However, he distinguishes the capitalist—a parasitical intermediary, in Hodgskin's view—from what writers would now call the entrepreneur:

Masters, it is evident, are labourers as well as their journeymen. In this character their interest is precisely the same as that of their men. (Hodgskin, 1825/1964, 27)

The reduction of all production factors to the sole element of labor earned Hodgskin the otherwise baffling praise of Sydney and Beatrice Webb, who went so far as to refer to Karl Marx as "the illustrious disciple of Thomas Hodgskin" (Webb and Webb, 1920, 162). More careful scholars, however, have not failed to notice the chasm that separates Hodgskin from contemporaneous and later socialist thinkers.

In his History of British Socialism, Max Beer asserts that Hodgskin "was no socialist. He preferred competition in the mists of institutions and opinions as free as man can form them" (Beer, 1919/1984, 206). For Alexander Gray "the fundamental element in Hodgskin is a blend of Adam Smith and Godwin" (Gray 1946, 278). Noel Thompson (2002, 98) remarks that Hodgskin's policies "would have pleased the most fervent disciple of Adam Smith."

The Natural and Artificial Right of Property Contrasted, the last of Hodgskin's major essays, provides a definitive outline of his political thought. In this collection of letters to Lord Brougham—a leading figure in the Whig party and founder of the Edinburgh Review—Hodgskin offers a radical denunciation of the very idea of government. Hodgskin condemns the organization of political means and, as such, a denunciation of the organization of economic means. He does not challenge the underlying logic of Smith's "system of natural liberty": what creates positions of rent and privilege, Hodgskin argued, are political encroachments. Hodgskin (1832, 4) appeals to the authority of Douglas Stewart to contend that "society has a course of its own," and the "ultimate objects at which a wise legislator ought to aim" should be to recognize such a course and learn "what are the principles of legislation necessary for maintaining it," before enacting new rules. Hodgskin concludes that:

[s]ociety is a natural phenomenon, and I inquire into the laws which regulate it, as I would inquire into the laws which regulate the course of the seasons (Hodgskin, 1832, 160).

Nowhere in Hodgskin can the notion be found that market exchange gives rise to exploitation. Instead:

[m]an is created free to buy and sell with whom, when, and where he likes, and legislators are bound to prove such freedom a great public injury, and that they are wiser than nature, before they venture in any case to restrain it. (Hodgskin, 1843, 11)

As Murray Rothbard (1995, 399) argues, Hodgskin was "invariably listed by historians as a leading Ricardian socialist," but was in fact "most emphatically neither a Ricardian nor a socialist." He is seldom recognized, in Hamowy's words, as "one of the most original libertarian thinkers in Victorian England" (Hamowy, 2008, 227). George Smith (2013, 147), a notable exception to this line of thought, sees Hodgskin as a liberal critic of Bentham. T. W. Hutchinson (1978, 242n) concurs, claiming that Hodgskin "would much more accurately be described as a 'Smithian anarchist' than as a 'Ricardian socialist.'"
(Hodgskin, 1827) originated from four lectures held by Hodgskin at the London Mechanics Institution in 1826; it provides clear evidence that Hutchinson’s definition is a very apt one.

The goal of Hodgskin’s 1827 essay is to offer “knowledge of the natural laws which regulate the production of wealth, and consequently the progress of civilization” (1827, xxiii). The qualification “popular” does not imply that this brief treatise aims at the general public: as Halevy observes, it was “political economy not vulgarised and written down to the level of a popular audience, but conceived from the standard of the interest of the people” (1903/1956, 91-92).

The adjective “popular” also hints to an attack on Thomas Malthus and his support for a strict policy of birth control in the belief that, whereas the growth of population is geometric, that of the means of sustenance follows an arithmetic progression, and any unchecked increase of population is inevitably fated to deplete resources and cause famine and destitution. As observed by Beer, Hodgskin deemed “increase of population, wants, knowledge, and inventions as the dynamic factors of human society” (Beer, 1984, 207).

Knowledge and division of labor
As already noted, Popular Political Economy is based on four lectures. The first lecture, entitled “The Influence of Knowledge,” was published as the second and third chapters of the book, whereas the second lecture, dealing with the division of labor, provided the material for the fourth to sixth chapters. Chapter seven, on exchange, coincides with the third lecture, and the fourth and last lecture was used for the final chapters of the book, which focuses on money and prices.

Tellingly, Hodgskin starts with the issue of knowledge. From his perspective, the division of labor includes a cognitive dimension that he believed was inadequately investigated by Adam Smith, despite having been a key justification of the market order. In an article on “The Great Mind Fallacy,” James Otteson contends that:

Hayek is now perhaps the standard-bearer for this position [the notion that knowledge is dispersed in society and cannot possibly be gathered and exploited by a single decision-maker], but he builds on arguments Adam Smith made some two hundred years earlier. (Otteson, 2010, 278)

Smith’s meditations on knowledge are chiefly articulated through an investigation into the limits of power, as is evidenced by the well-known indictment of the “man of system” presented in The Theory of Moral Sentiments:

[the man of system] seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder. (Smith, 1759/1982, 234)

Similarly, in The Wealth of Nations, Smith outlines the “obvious and simple system of natural liberty”:

The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. (Smith, 1776/1981, 687)

This is the core of Hayek’s argument. Although Hayek built on a more sophisticated understanding of economic efforts he elaborates on Smith’s contention, providing a clearer understanding of the reason why the sovereign cannot succeed in the attempt of “superintending the industry of private people” and “directing it.” He pointed to the importance of knowing the particular circumstances of place and time.

This notion can also be discerned—albeit in embryonic form—in Adam Smith, as when he repeatedly stresses that the industrious individual is the best judge of his or her own interest.

Hodgskin admired Smith, but he also believed that the Scottish philosopher had neglected the role played by knowledge in the division of labor, as evidenced by the fact that his magnum opus did not contain a chapter expressly dedicated to this issue (Hodgskin, 1827, 53). The passages we
have quoted do not entirely disprove this contention. Smith's hostility to the “Great Mind Fallacy” permeates his work, and does not offer any coherent attempt to systematically appraise the role of knowledge in the economy. Hodgskin attempted to fill this gap, building on the thought of Jean-Baptiste Say, who also emphasized the importance of knowledge for economic development (Say, 1834/2001).

**Popular Political Economy** offers a number of observations in Smith's vein on the decision-maker's hubris and the calamitous impact of ignorant public policies. However, Hodgskin complements this with an attempt to explain the success of the division of labor by connecting it to the progress of knowledge.

In Hodgskin's view, this "knowledge" encompasses both formal knowledge and informal know-how, that is, both knowledge that is conveyed and used in a deliberate manner and knowledge that consists of skill and expertise in performing a given task. These different kinds of knowledge are placed along a continuum: Hodgskin stresses that each and any tool and occupation is *de facto* "indebted" to the observations, discoveries, and inventions made in the past.

It is this emphasis on the interdependence of all "circuits of knowledge" and on the creative potential of each individual that the core of Hodgskin's argument rests. He strives to extend Smith's well-known observation that "the division of labour is limited by the extent of the market": the reference to "the extent of the market" stresses its geographical dimension, whereas Hodgskin considers the crucial element to be the number of participants in the market. A more populous country thus provides better opportunities for the division of labor, thus upending Malthus' contention by positing a theoretical relation between progress and population increase. For Hodgskin "the foundation of all national greatness is the increase of people" (Hodgskin, 1827, 26). An expanding population multiplies manpower and, thus, the number of minds that apply themselves to solving difficult problems. By his very nature, Hodgskin wrote:

> man is endowed with a productive power commensurate to his wants; and that power enables individuals to rear up families, and maintain in idleness and opulence a number of persons more than themselves. This natural productive power—the gift, not of governments, but of our Creator—is the great source of individual opulence and of national greatness. (Hodgskin, 1827, 27)

For Hodgskin, economics is the study of production and of the laws that govern it. The focus of production is the creative labor of man: from the outset, what characterizes human labor is the contribution of knowledge and wisdom. It permeates all production. Labor, then, is inherently "knowledge-guided." Hodgskin distinguishes between two forms of labor, "bodily" and "mental," but even the former cannot be performed in the absence of acquired and applied knowledge:

> The meanest labourer must use some mental exertion, and much of the most common labour is now rendered easy of acquisition by the transmitted habits, knowledge and skill of former generation. (Hodgskin, 1827, 48)

Each task is thus embedded within a stream of knowledge:

> Though agriculture does not supply us with the most striking examples of observation adding to productive power, yet even in this neglected and generally speaking, slave-practised art, we may find numerous examples of the hand of the labourer having been rendered productive by the observations of the philosopher. (Hodgskin, 1827, 55)

In *The Wealth of Nations*, Smith (1776/1981, 17) suggests that the growth of productivity is due “first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.” From this perspective, technological advances are deemed to be among the fruits of the division of labor.

As Smith observes:

> [t]he division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation too is generally carried furthest in those countries which enjoy the highest de-
gree of industry and improvement (Smith, 1776/1981, 15).

For Smith (1776/1981, 20), “the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour.” By focusing on specific tasks that are exclusively assigned to them, workers “naturally turned their thoughts towards finding out easier and readier methods of performing it” (Smith, 1776/1981, 20). But more often the division of labor allows workers to devise new and improved technologies, because it allows the building of new machines to be “the business of a peculiar trade.” Occasionally, however, improvements are due to the application of “those who are called philosophers or men of speculation, whose trade it is not to do any thing, but to observe every thing” (Smith, 1776/1981, 21).

It is thus specialization that makes technological improvements possible. It does this by establishing conditions that are conducive to technological progress:

[...]en are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things” (Smith, 1776/1981, 20).

This is consistent with the widely acknowledged role of the division of labor in Smith’s thought as the founding element of a society where people live together and take care of each other’s needs.

Hodgskin contends instead that even the humblest and simplest task could not be carried out absent the knowledge that makes it possible. He is all the more convincing insofar as he “reifies,” so to speak, such knowledge and identifies it with the tools and artifacts that enable any given job to be executed. Hodgskin takes care to specify that he does not refer to the increasingly complex machinery that leads to the growth of productivity: in this case his analysis would not substantially differ from Smith’s. In addition to complex machinery, he also considers ancient and extremely simple tools that are indispensable for a number of tasks:

The most simple instrument in use, such as a common spade, a carpenter’s gimlet, or a sewing needle, by the help of which labour is not merely facilitated, but without which several most useful and necessary daily operations could not possibly be performed, were at one time unknown; and probably required as close observations of the properties of iron and steel—of the form and powers of the human body, so as to adept the digging and sewing instruments to its capabilities—and the gimlet to the purpose of boring rapidly through wood, and bringing to the surface the little pieces it cuts,—as the invention of the steam-engine at a later period required of the properties of caloric, and of the weight of the atmosphere. (Hodgskin, 1827, 74-75)

The first chapter of Popular Political Economy is in fact a long and passionate survey of inventions and discoveries. For Hodgskin it is crucial to point out that such inventions precede and enable the division of labor: they are not “just” a consequence of greater specialization. Discussing progress in philosophy, Smith (1776/1981, 22) observes that as the division of labor spreads, “[e]ach individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it.” Hodgskin does not overlook the “cumulative” nature of the growth of knowledge, and is aware that “a progress in knowledge, and the division of labour, mutually promote each other” (Hodgskin, 1827, 79) but, as we have seen, he deems knowledge to “precede” the division of labor. (Hodgskin, Ibid.) Observations of the natural world and the development of strategies to cope with it logically precede the division of labor. Hodgskin does not focus on the effects of the division of labor on the creation of knowledge but instead on knowledge as a matter of “logical priority”:

undoubtedly they [people] had learned to make bows and arrows, to catch animals and fish, to cultivate the ground and weave cloth, before some of them dedicated themselves exclusively to making these instruments, to hunting, fishing, agriculture, and weaving. (Hodgskin, Ibid.)

Hodgskin, therefore, does not see any contradiction in stating that “inventions always precede division of labour, and extend it, both by introducing new art and by making commodities at a less cost” (Ibid.). This double impact of innovation—the possibility of exploring new avenues and the reduction of the production costs of established goods—shows how the creation and dissemination of knowledge permeates the economic sphere:

If the reader should imagine that knowledge informing skill only multiplies the means of subsistence, he
will have a very inadequate idea of what it actually performs. It may be almost said to create both the animals and vegetables on which we subsist. (Hodgskin, 1827, 62)

Such a hyperbolic statement illuminates Hodgskin’s contention that no natural resource is a “resource” in and of itself: cows and sheep “in nature” were altogether different “from the large flesh and wool-bearing and milk-giving animals that are nourished by the art of the grazier” (Ibid.). This emphasis on everyday objects and on how only the skillful application of human ingenuity could make natural resources profitable helps us to understand Hodgskin’s yearning to side with “humble” and “normal” people, whom he considers the true beneficiaries of the collective knowledge-creating enterprise. The growth of knowledge that Hodgskin illustrates is wholly “democratized” process: he is aware of the cognitive dimension of any human effort, even those that are entirely practical. The climax in Hodgskin’s survey concerns the steam engine:

The expansive power of steam has been known almost as long as history can trace back the existence of our race; but an immense reach of intellect, numberless observations, a prodigious quantity of knowledge, gathered in all the ages of the world, and a vast variety of experiments, were necessary to devise this engine in its present admirable, but not yet perfect form. (Hodgskin, 1827, 68)

From the quotation above, it is clear that Hodgskin is concerned with something beyond mere “formal” knowledge. Although he does not make explicit the difference between formal and informal knowledge, it is nevertheless clear that Hodgskin not only refers to scientific learning in his discussion of knowledge, but instead to a much more inclusive domain that also encompasses information, observations, ideas, and practical know-how, all of which find concrete application in human labor.

As labor is knowledge-guided, Hodgskin considers tools and machines as similarly knowledge-derived. Within such tools is not only a deep knowledge of production methods, but also information and technical expertise related to their design. It is evident that for Hodgskin knowledge is dispersed in society; its progress is never an exclusively individual endeavor or the isolated effort of a few great minds. This is even true in the case of great innovators such as James Watt:

The influence of society over every individual mind, is paramount to all other things. Perhaps, of the last century, there is no man who stands higher as a philosopher and a mechanic than James Watt; but he was indebted for most of his scientific and mechanical knowledge, or every thing indeed, which constituted his talents, and which contributed to his glorious success, to his having been born in Britain in the 18th century. (Hodgskin, 1827, 87-88)

The creation of knowledge is a collective enterprise, but this does not mean that it is attributable to a collective actor. In contrast, it is an externality that arises from the natural human inclination to make the best use of one’s own facilities. Hodgskin (1827, 97) writes that “independent of all governments and of all their regulations, there is in the universal necessity to labour a universal stimulus for all men to exert those natural faculties with which all are endowed.” In its turn, “this stimulus is at all times the cause of observation, and that observation brings knowledge.” And the midwife of such knowledge is the increase in population:

Our natural faculties, under the influence of this stimulus and this influence of increasing population, lead, without our willing it beforehand, without our ever conjecturing what will be the result, to all those grand and sublime and beneficial consequences—which we call in one comprehensive word, civilization. (Hodgskin, Ibid.)

Here Hodgskin’s indebtedness to Smith is evident. The growth of knowledge takes place “without our willing it beforehand, without our ever conjecturing what will be the result” (Ibid.). It is the outcome of human efforts that are not necessarily coordinated, of cooperation that is not necessarily deliberate, in other words a typical market process. Where Hodgskin departs from Smith is in his emphasis on a principle of population growth that is diametrically opposed to the Malthusian view:

The chances of improvement, it is plain, are great in proportion as the persons are multiplied whose attention is devoted to any particular subject. (...) an increase in the number of persons produces the same effect as communication; for the latter only operates by bringing numbers to think on the same subject. … This principle seems to be amply confirmed by expe-
Almost all discoveries and improvements have been made in crowded cities and in densely peopled countries. (Hodgskin, 1827, 95)

The operating principle could be summarized as “more people, more ideas, and more growth.” Such an argument might remind a contemporary reader of Hayek’s (1988/1990) energetic promotion of an anti-Malthusian perspective in his last book *The Fatal Conceit*. Hayek explains that “[t]he modern idea that population growth threatens worldwide pauperisation is simply a mistake” (Hayek, 1988/1990, 121). Hayek refers explicitly to Smith and equates population growth with greater division of labor. Population growth prompts a growth in productivity, because “[a] denser population can also employ techniques and technology that would have been useless in more thinly occupied regions.”

Moreover:

> [e]ven the bare fact of living peacefully in constant contact with larger numbers makes it possible to utilise available resources more fully, [since it is] not simply more men, but more different men, which brings an increase in productivity. Men have become powerful because they have become so different: new possibilities of specialisation—depending not so much on any increase in individual intelligence but on growing differentiation of individuals—provide the basis for a more successful use of the earth’s resources. …

(Hayek, 1988/1990, 122-3, 126)

For Hayek, the existence of many “different men” is the element that makes possible the production of more “different ideas” and, therefore, the growth of knowledge. In *The Fatal Conceit*, however, Hayek observes that:

> Malthus’s assumption that human labour could be regarded as a more or less homogeneous factor of production (i.e., wage labour was all of the same kind, employed in agriculture, with the same tools and the same opportunities) was not far from the truth in the economic order that then existed (a theoretical two-factor economy). (Hayek, 1988/1990, 122)

**Conceited rulers**

This analysis of the ‘use of knowledge in society’ cannot but correspond to a consistent normative vision. It is in this respect that Hodgskin’s lexicon is again evocative of Hayek’s condemnation of governmental interventionism a century later.

The Austrian School’s criticism of economic planning and—by extension—of governmental interventionism can be traced to the notion that knowledge is dispersed in society; therefore a single decision-maker cannot be fully in command of the needed information to organize all the production decision that would meet consumers’ diverse demands. Hayek is best known for having refined this argument in the calculation debate in the 1930s.17

What is most typical of Hodgskin is the way his steadfast belief in the progress of learning goes together with a radical distrust of the government’s capability to understand and make use of it. The process of knowledge accumulation can only be achieved in the proper institutional setting: the rigidity that characterizes any governmental arrangement is not only unsuitable in and of itself, but also threatens the free flow of information. In *Popular Political Economy*, then, we can discern an early formulation of the idea that governmental encroachments impede the growth of knowledge. It is thus not surprising that Hodgskin appears to appreciate that the price system conveys information. He defines it as:

> the index to the wants of society; or it is the finger of Heaven, indicating to all men how they may employ their time and talents most profitably for themselves, and most beneficially for the whole society. (Hodgskin, 1827, 235)

It is the fluctuation of prices that regulates consumption:

> If the price of bread were not to rise the instant it is ascertained, or even rendered probable, that the crop of wheat will be short, no persons would be admonished in time to lessen their consumption, or seek for other food than wheaten bread; and before the next harvest famine might ensue. On the other hand, were prices not to fall when the crop is abundant, there would be no stimulus to increased consumption, and the bounties of nature, instead of causing joy and gladness, would turn to mouldiness and corruption. (Hodgskin, Ibid.)

In such a setting, what Hodgskin finds remarkable is less the distinction between natural (the amount of labor needed to produce a given good) and monetary price, than the realization that price variations reflect innovation and the division of labor. More specifically, he contrasts agricultural
prices with the prices of manufactures to suggest that the latter show a more marked decrease than the former thanks to the faster growth of knowledge and more developed division of labor industrial economies enjoy. Therefore, if the price of grain is higher, this is because of the “political condition of the agriculturist, and the manner in which land is appropriated.” (Hodgskin, 1827, 231)

Government interventions can only hinder a process that is harmonious in itself. As Hodgskin remarks in one of his lectures on criminal law:

The people want more food, more clothing, more comforts, more luxuries, more intellectual, and fewer animal pursuits... All these wants can only be satisfied by more freedom, and less taxation. (...) The unrestricted competition which nature establishes, must be the rule for all our transactions; and by the higgling of the market, which is mutual and free action, the salaries of officials, and the payments of the priesthood must be regulated as well as the profit of the shopkeeper, and the wages of the labourer. (Hodgskin, 1857b, 26)

The same understanding of the “higgling of the market” emerges from a long digression on public granaries:

The governments of some countries, distinguished for wisdom, noticing the evils resulting from variations in the seasons, have established public granaries to prevent them, and to equalize the operations of nature; but the merchant buying when and where commodities are cheap, and only selling when and where they are dear, does, in fact, perform, but infinitely better than governments can, all the functions of public granaries. (...) The sharpsightedness of his self-interest is continually on the alert, and he can only obtain a profit as his operations tend to equalize supply and demand. His motives are selfish, but the consequences of his proceedings are not the less beneficial. They are not prescribed by the legislator, but they are a most important part of social order. Trade supplies us with one of the many examples of nature regulating and prescribing our conduct, in cases for which governments (...) thought it was their business to provide. (Hodgskin, 1827, 175)

Although this argument was not new, our concern for is in how Hodgskin frames it. Self-interested traders in grains perform a regulative function by buying and selling their wares. This can be ascribed to the natural order that spontaneously emerges from the interplay of supply and demand, independent of governmental actions. However “eminent in wisdom” such decisions may be, they cannot display the “alertness” of market actors, whose wisdom is not individual but collective.

Hodgskin’s vision echoes the mindset that Dugald Stewart deemed to be typical of Smithian economists, which holds that:

The social order is in the most essential respects, the result of the wisdom of nature, and not of human contrivance; and, therefore, that the proper business of the politician is not to divide his attention among the different parts of a machine, which is by far too complicated for his comprehension; but by protecting the rights of individuals and by allow to each as complete a liberty as is compatible with the perfect security of the rights of his fellow citizens (Stewart, 1792, 184).

The economic realm is thus to be understood rather than regulated. As noted before, Hodgskin consistently defends the “system of natural liberty” against encroachment (Thompson, 1987). Legislative measures have “no other immediate object … but to take or keep from one class and give to another” (Hodgskin, 1827, xx-xxi).

Hodgskin’s focus on knowledge leads him to emphasize the dynamic element of the “system of natural liberty.” Observing that the “creation” of knowledge to some extent precedes the division of labor and broadens the scope of knowledge. This is particularly evident where he deals with the issue of paper money. Embracing free banking, Hodgskin not only rejects all pretenses for regulation (the emission of bank notes does not have “more need to be regulated by meddling statesmen, than the business of paper making” (Hodgskin, 1827, 218), but also contends that issuing bank notes and the business of banking, must be conducted on some settled principles to make them advantageous, is quite certain; but to expound those principles, is the duty of the persons who write on the art of banking. (Hodgskin, 1827, 217)

Banking, no less than other endeavors, necessitates knowledge of the specific circumstances of time and place. This industry, therefore, must operate under a free and decentralized process.
In attacking those who “have carried political economy into Parliament,” Hodgskin recognizes their efforts “to substitute, as the basis of legislation, their imperfect knowledge, for the much more imperfect knowledge (...) of previous legislators.” (Hodgskin, 1827, 40) This notwithstanding, such knowledge cannot but be imperfect, as the creation and sharing of information is an open and evolving social enterprise. It is for this reason that Hodgskin characterizes his political economy as something different from “a meddling, factious, ambitious science,—not a political science, prescribing regulations for society, or dictating duties to men” (Hodgskin, 1827, 38-39). The identification of natural laws can provide insights into the perverse consequences of government policies, but cannot help governments in their efforts to address particular and specific problems of production, since such problems elicit different answers from different individuals situated in different circumstances.

James Buchanan has succinctly pointed out that the allocation-distribution result of the market “does not, and cannot, exist independently of the trading process” (Buchanan, 1982/1999, 244). Hodgskin would have agreed:

No man can say how industry may be rendered most productive; for this is the continually varying result of the practical knowledge of all mankind. Rejecting all notice of the arts, political economy can never inform us how the hand may be made skillful. The science observes the close connexion between individual gain and the general welfare; but it does not pretend to direct the operations of the merchant, the trader, or the farmer, any more than those of the engineer; nor the labour of the ship-owner, any more than those of the shipwright and smith. The utmost extent of its utility in promoting opulence is, that statesmen may learn from it, if they, being among the most bigoted, ignorant, and presumptuous of mankind, are capable of learning any thing, how they may cease to check that production, which they, like the science itself, cannot possibly promote. (Hodgskin, 1827, 39)

The “system of natural liberty” enjoys outstanding adaptability that governments can impede but not possibly improve. Hodgskin’s political philosophy is thus sustained by the contrast between a progressive and dynamic society and rigid public institutions that suppress change. This last feature is predicated on the former: it is society’s unceasing change and never-ending evolution that makes public intervention obsolete as soon as they are attempted.

Replacing the imperfect knowledge of today’s lawmaker for the no less imperfect knowledge of yesterday’s lawmaker cannot possibly improve the future circumstances of society. In a polemical allusion to the colonial ambitions of his times, Hodgskin argues that:

[we might pardon the presumption of men who should endeavour to legislate for a distant country, which they only knew by report. But what terms can express the absurdity of legislating for an unborn world, of the whole circumstances of which we are necessarily ignorant? (Hodgskin, 1820 I, xi)

The only policy that Hodgskin recommends governments to pursue is a policy of non-intervention: abstaining from measures that cannot but slow down society’s spontaneous accumulation of knowledge and welfare.

**Conclusion**

The Hodgskin scholar David Stack contends that the path from Hodgskin to Hayek is “just as tortuous as that [from Hodgskin] to Marx” (Stack, 1998, 205). Undoubtedly, the key element that separates the thought of the British radical from that of the Austrian social philosopher is whether capital ought to be remunerated or, in other terms, whether labor is the one real factor of production. However problematic and inherently treacherous the attempt of contrasting thinkers that operated in very different social and intellectual settings may be, it remains clear that both Hodgskin and Hayek focused on three central issues:

1. The importance of knowledge in a market economy,
2. A notion of knowledge that is not confined to scientific knowledge, but also includes practical skills.
3. And radical skepticism about the ability of governments to gather and use the knowledge that is required for “steering” economic life effectively.

Despite these similarities, it is an established fact that Hodgskin is nowhere to be found among the pantheon of Hayek’s authorities. It is likewise clear that Hayek, as opposed to Hodgskin, can in no way be said to have an anarchical bent. Nor can Hayek be said to share Hodgskin’s unequivocal faith in progress.

It is nevertheless worth noting how Hodgskin’s arguments about the dissemination of knowledge and the conceit of government build on Smithian thought in a way that is surprisingly in tune with Hayek’s understanding of Smith.
It would be difficult to find a thinker who might serve as a “missing link” between Hayek and Smith better than Hodgskin.

NOTES

1 Renée Prendergast (2010) suggests that the emphasis on the accumulation of knowledge, as opposed to the accumulation of capital, was a central element in the thought of a number of predecessors of Adam Smith and that this element was subsequently reclaimed by other thinkers, Hodgskin among them.

2 On the role of The Economist in spreading the ideas of laissez-faire in Victorian Britain, see Gordon (1955).

3 To what extent Hodgskin influenced the thought of his younger colleague Spencer can only be speculated about. In his Autobiography, Spencer mentions Hodgskin without revealing any particular degree of gratitude or attachment. However, it is important to note that Spencer showed a consistent reluctance to acknowledge any intellectual indebtedness that might cast his unalloyed originality into question. See Spencer (1904).

4 The relatively successful reception of Hodgskin can perhaps be explained by the fact that—as observed by William Stafford—by signing as “A Labourer” he was the first to speak “from labourer to labourer” (Stafford, 1987, 232).

5 In his wide-ranging essay on Hodgskin, David Stack persuasively shows that there is no evidence that Hodgskin and Godwin met (Stack, 1998, 66-69).

6 In particular, Stewart (1851).

7 Samuel Hollander (1995, 141) observes that “no serious dependency on the part of Hodgskin upon Ricardian theory is discernible.”

8 Werner Stark (1943, 85) also contends that Hodgskin “saw only the negative, and refused to see the positive, side of socialism.”

9 In The Wealth of Nations there are numberless scattered remarks, which show that Dr. Smith was aware of the influence of knowledge in adding to productive power; yet he has not dedicated any part of his book expressly to this subject” (Hodgskin, 1827, 53).

10 As Hayek (1945/1948, 80) writes: “there is beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place … We need to remember only how much we have to learn in any occupation after we have completed our theoretical training, how big a part of our working life we spend learning particular jobs, and how valuable an asset in all walks of life is knowledge of people, of local conditions, and of special circumstances.”

11 In Book III of The Wealth of Nations, Smith observes that “[t]o improve land with profit, like all other commercial projects, requires an exact attention to small savings and small gains, of which a man born to a great fortune, even though naturally frugal, is very seldom capable” (Smith, 1776/1981, 385). From this excerpt clearly emerges how any gain in productivity depends on the concrete knowledge of the conditions of specific land: extensive land and vast property holdings can blunt the landlord’s interest in making the most of the necessary knowledge to obtain profits.

12 Thus the object of political economy is to discover ALL the natural laws and circumstances, which influence and regulate the production of wealth” (Hodgskin, 1827, 42).

13 In Hodgskin’s view, mental labor (“the labour of observing and ascertaining by what means the material world will give us most wealth”) and physical labor (“the labour of carrying those means, when ascertained, into execution”) are both necessary for production. It is worth noting how the juxtaposition of the two species of labor, which characterizes Hodgskin’s work in its entirety, broadens the very definition of labor to the point that the reduction all production factors to labor becomes less unlikely.

14 At the same time, however, “without practical manual skill, the most elaborate learning may be of no use” and “without dexterous workmen, the most ingenious contrivances must be classed merely as visionary dreams” (Hodgskin, 1827, 91).

15 This is not surprising, when one remembers that until the mid-1800s even highly technical professions such as engineering were basically learned through apprenticeships with established practitioners. The distinction between formal knowledge and knowledge of the particular circumstances in time and place is an important notion in Hayek, although he referred to a modern academic environment and was mainly preoccupied with the “pretense of knowledge” of his colleagues. Hodgskin’s critical evaluation of the “pretense of knowledge” refers to an altogether different setting.
It is worth noting that Adam Smith was likewise aware of this point. In his *Considerations Concerning the First Formation of Languages* (1767/1985, 223) Smith, discussing the "simplification of language, notes that "[i]t is in this manner that language becomes more simple in its rudiments and principles, just in proportion as it grows more complex in its composition, and the same thing has happened in it, which commonly happens with regard to mechanical engines. All machines are generally, when first invented, extremely complex in their principles, and there is often a particular principle of motion for every particular movement which it is intended they should perform. Succeeding improvers observe, that one principle may be so applied as to produce several of those movements; and thus the machine becomes gradually more and more simple, and produces its effects with fewer wheels, and fewer principles of motion." This observation on the progressive simplification of the operation of mechanical tools is an amazing insight in light of the technological progress of the last century.

For a useful overview of the debate on economic calculation, see Lavoie (1985).

Hodgskin gave two lectures: May 20, 1857 and June 3, 1857 at St. Martin's Hall. Hodgskin's goal was to show that we should avoid creating criminals, as is indicated by the title of the first lecture.

As is well-known, in his "Digression Concerning the Corn Trade and the Corn Laws, Smith contends that "[t]he unlimited, unrestrained freedom of the corn trade, as it is the only effectual preventative of the miseries of a famine, so it is the best palliative of the inconveniences of a dearth" (Smith, 1776/1981, 527). It is worth noting that the same topic is taken up by Burke (1795/1990).

This is not a new element in Hodgskin's thought. In his *Travels* he was already noting: "Creating a legislative assembly supposes a necessity to make laws, and it encourages that desire to legislate which has already been so productive of evil. The doctrines of political economy have taught us that there exist laws made by nature which are eminently productive of prosperity" (Hodgskin, 1820, I, 464).

On free banking, see Smith (1936/1990). It is germane to observe, for the purposes of this essay, that the PhD dissertation of Vera Lutz, completed under Hayek's supervision, lacks any reference to Thomas Hodgskin. Hodgskin is however listed among the free bankers by White (1984/2008).

In contrast, Hodgskin censures the operations of the Bank of England, whose inflationary inclinations are hidden by its political support.

Stack's blunt characterization, however, appears to be informed by a rather biased understanding of Hayek: "Hodgskin's case for free trade was premised on a free society and a sociability of man, which stood in stark contrast to Hayek's denial of the necessity of democracy, and the individualism of the New Right" (Stack, 1998, 205).

How exactly this kind of knowledge ought to be understood is an issue that progressively assumes different outlines in Hayek's thought (see Oguz, 2009).

The only evidence of Hayek being somehow acquainted with Hodgskin's thought is a footnote in Hayek (1955, 239, n. 313), where he references a letter from Hodgskin quoted in Halevy (1956) as proof of Saint-Simonian influence is also noteworthy that—at least in the mid-20th century—one of the central problems for Hayek appears to have been his effort to overcome the heritage of the British liberalism of the previous century. This issue is particularly emphasized by Burgin (2013).

That Smith's lesson is a constant reference point for Hayek is all too clear. For a sympathetic portrayal of Adam Smith through Hayek's eyes, see Hayek (1976).

REFERENCES


