

# **My Favourite Economist: The Early Economic Writings Of George Poulet-Scrope (1797-1876)**

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## **Introduction**

As Hamlet doubted his lady because she 'did protest too much', so the mound of accompanying historiographical literature is an indication of the difficulty with which excursions into the history of economic thought are justified. So great is the volume of these writings that a meaningful presentation of even some of the key concepts involved is impossible in the space available. Neither would it necessarily be of great value to the reader, to whom there are available several volumes of collected works in the field (e.g. Blaug, 1991). Rather it is my intention in this paper to outline some personal observations which have arisen from a recent investigation of a little known English economist, George Poulet-Scrope, whose writings focus heavily on the problems of poverty and inequality, as well as monetary issues and several other aspects of political economy.

Two principal themes will emerge. Firstly, for those as yet unconvinced of the merit of studying the history of our discipline, I argue the value of confronting established ideas with the thoughts of writers who approached the subject from a different, perhaps fresher, perspective. Moreover, one often finds the roots of modern economic and social concepts

in the writings of a previous century. Where this is true, we are challenged by the philosophical underpinnings of earlier versions of modern ideas. We may accept or reject, but we cannot ignore such philosophical foundations. Secondly, for those favourably disposed towards the history of economic thought, the case is made for a closer perusal of Scrope *in the original* (rather than relying on secondary) sources. He is an author who displays independent and original thought, a maverick in his time whose contributions to economics are, perhaps, currently underrated.

## **George Poulet-Scrope: Some Biographical Notes**

Born George Julius Duncombe Poulet-Thomson at Waverly Abbey in Surrey in 1797, our subject was educated at Harrow and latter at St John's College, Cambridge. He initially excelled in geology and was particularly interested in volcanoes. His scientific endeavours won him Fellowship in the Royal Society, while he also served as secretary of the Geological Society. Had he never encountered political economy, he would undoubtedly have been remembered as a geologist of considerable stature.

In 1821, the same year in which

he took his B.A., he married Emma Phipps Scrope, the only daughter and heir of William Scrope, of Castle Combe in Wiltshire. Taking the name and arms of that ancient family, Scrope (as he now became) moved to Castle Combe and assumed the lifestyle of a country gentleman. His experiences as a magistrate and his observation of the agricultural labourers in the area prompted him to enquire into the problem of poverty, and into political economy generally. Elected M.P. for Stroud in 1833 at his second attempt, he sat in the House of Commons for that constituency until 1868.

Scrope was an extraordinarily prolific writer. Sturges (1985) has catalogued over 175 items attributable to his pen. Opie (1929) estimated that the seventeen pamphlets preserved in the British Museum under his name are but a sample of approximately seventy which he produced during his career, earning him the sobriquet 'pamphlet Scrope'. Much of his finest material appeared in the periodical *Quarterly Review*. In accordance with Victorian convention, these articles carried no by-lines, but modern historical research has established quite convincingly that Scrope is the author of the contributions in question. Finally, Scrope published two books. The first was entitled 'Principles of Political Economy Deduced from the Natural Laws of Social Welfare and Applied to the Present State of Britain. A second edition appeared in 1873 under the title 'Political Economy for Plain People', which is indicative of his intention that the book should make economics accessible to the widest possible

audience. The second is a memoir of his brother Charles (Lord Sydenham), who was a prominent Whig and Governor-General of Canada.

### **Scrope's Welfare Economics**

The first edition of Scrope's principles contains a system of welfare economics based on the natural law philosophy of the eighteenth century. While denying that "what is, is right", he nevertheless postulates the existence of a 'natural right' or natural justice. The basis of this argument is that when the individual chooses between different courses of action, only one choice is right, i.e. that which is "most for the welfare of mankind" or "for the best". Therefore, "abstract right" or 'natural justice' may be defined as "that disposition of the circumstances within his power by man, which is most for the welfare of mankind". Maximisation of social welfare will be attained naturally provided that four fundamental rights are maintained. These are

- 1) the right to private property.
  - 2) the right to personal freedom.
  - 3) the right to an equal share in the common bounties of heaven.
  - 4) the right to good government.
- Each of these is relatively self-explanatory, with the exception of the fourth, to which we return later.

Scrope does not, however, content himself with outlining the conditions for attaining maximum social welfare, but also specifies the form which the social welfare function (SWF) will take. His SWF represents a consolidation of individual utility

functions, which are specified in a very particular form. The relationship which he postulates between individual utility and individuals' holdings of wealth is asymmetric, being kinked at the point where there is sufficient wealth to maintain "a comfortable subsistence and a reasonable certainty of its continuance". Above this point we cannot assume that added wealth increases utility, but below it we can be certain that "real suffering" will ensue. The SWF, or "test of national happiness", therefore, is primarily dependent on the proportion of the population which attains a comfortable subsistence.

The mode of thinking employed in this definition of social welfare could be argued to represent a simplified version of Sen's "commodities and capabilities" analysis. In Sen's view the possession of a commodity gives the individual certain capabilities, from which he/she derives utility. Poverty ought not to be considered as a relative deprivation of commodities, but rather an absolute phenomenon in capability space. If one accepts Sen's analysis and one agrees that Scrope's is a simplified version of it, with only one capability, i.e. maintaining a comfortable subsistence, then one is confronted with the philosophical underpinnings of Scrope's work. One must question, therefore, whether it squares with the philosophy of Sen, or indeed of the individual reader. Moreover, had one not previously encountered Sen, an excursion to Scrope opens up an interesting analysis in a very readable format.

## **Say's Law and Monetary Theory**

We have already stated that Scrope saw the maintenance of four fundamental rights as sufficient conditions for the maximisation of social welfare. While labour mobility and the right to private property are well known prerequisites for the existence of properly functioning free markets, the "right to good government" is not a familiar term for modern readers. At the risk of over-simplification we may view "good government" as the opposite of mismanagement in the economy. For Scrope, human folly expressed in mismanagement and faulty institutional arrangements is the fundamental cause of poverty and unemployment. An interesting example of where this might occur is in the monetary system, on which Scrope wrote extensively. The great monetary debate of the time was the so-called "Bank Charter question" which centred on the organisation of the banking system and the rules governing note issue. Schwartz (1987) has an interesting account of the three schools of thought in the debate, namely the 'Currency', 'Banking', and 'Freebanking' groups. She is mistaken, however, in assigning Scrope to the 'Freebanking' school, which believed in an unregulated banking system with no Central Bank. While Scrope did hold these views in 1830, he had changed his mind by 1833 and could no longer be viewed as a 'Freebanker'. The details of his monetary thought are beyond the scope of this paper, but his concern with providing the nation with an adequate money supply must be noted. His experience of deflation in

the 1820's led him to argue in favour of the possibility of a "general glut". Such a state of affairs exists when there is "a general fall in the prices of the mass of commodities below their producing cost". Such a glut was "proof, not of an excessive supply of goods, but of a deficient supply of money". According to Sowell (1974) this is the first recorded denial of Say's law.

The import of this result will not be lost on those who concern themselves with Keynesian exegesis. As Keynes (1936) said of Say's law

"If .... this is not the true law relating the aggregate demand and supply functions, there is a vitally important chapter of economic theory which remains to be written and without which all discussions concerning the volume of aggregate employment are futile."

Scrope and Keynes were apparently addressing the causes of like phenomena (i.e. the 'general glut' or depression). It is interesting to note that, while in 1831 Scrope identifies the origins of a "general glut" as a shift in "the propensity to save, as compared with that to spend", by 1833 the phenomenon is explained in terms of a deficient money supply. Recent Keynesian interpretations have also (correctly, in my view) given greater emphasis to the role of money in Keynes' model. Scrope's analysis is, of course, far less sophisticated, but the direction in which he travels has again become popular.

### **Social Insurance**

One of the primary reasons for

my interest in Scrope is that he devotes considerable time to guidelines for the proper design of social welfare systems. Of course, his perspective is that of an early Victorian, which may make some of his views seem unduly harsh to the modern reader. He does, however, reject the Malthusian population theory and is convinced of the need for state intervention to provide for the unemployed and those who cannot work. One of his more interesting notions is that, in order to encourage a feeling of independence and self-respect among the 'labouring classes', the contemporary poor-law legislation ought to be gradually replaced by a compulsory mutual insurance scheme. A fixed sum per week, invariable with income, was to be paid into a fund in the employee's name by the employer. While this scheme does not correspond exactly with the Irish PRSI system, there are several similarities. What is striking is that the reason for Scrope's scheme is to make the claimant feel that he/she was not receiving charity while unemployed, but rather is drawing down on accumulated savings. A reading of Scrope on this issue begs the question of whether our social insurance schemes have come to be seen simply as taxation, and whether they don't lose a considerable degree of merit as a result.

### **Conclusions**

My aim has not been to provide a comprehensive account of Scrope's writings, nor a detailed historiographical discourse. Instead, I have attempted to bring out some of the more interesting

and original aspects of Scrope's works and to point out how modern ideas and institutions may be challenged by them.

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