



Hume and the Labor Theory of Value

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The received view does not associate David Hume with the genesis of the labor theory of value, but as is argued here, Hume issued a number of key propositions that prefigure the labor theory of value such that he rightly belongs to the classical school of political economy. Hume articulated both the analytic claim, that labor is the primary determinant of exchange-value and hence the price, and the explanatory claim, that a price could be reduced down to the labor embodied in its production. His attention, however, was directed more to the quality than the quantity of labor, as he did not conceptualize labor as homogeneous nor draw a direct correlation between the temporal units of labor and the price. Insofar as wages and profits are inversely related, or so he argued, the falling rate of profit over the past century meant that wages had become the primary factor in determining a price. Furthermore, Hume treated capital goods as stored labor, and put much weight on the role of the new work ethic and the growth of artisanal production which had contributed, in part, to the unprecedented wealth of Western Europe. Hume also recommended that the state adopt policies to improve the mobility and supply of labor and promote a healthier and happier population.



1. Introduction

In his landmark *Studies in the Labour Theory of Value*, Ronald Meek made note of David Hume *en passant*, but singled out three main contributors to the labor theory of value before Adam Smith, namely Richard Cantillon, Joseph Harris, and William Temple.¹ In canvassing the same period, Terence Hutchison featured William Petty and John Locke on the labor theory of value, but made no mention of Hume on this theme.² This article argues that Hume prefigured the labor theory of value, that he articulated a number of key propositions, and insofar as Smith was the key instigator of the classical school of political economy, Hume ought to be placed in that school.

The classical school of political economy purportedly runs from Adam Smith (1776) to John Elliott Cairnes (1875), with John Stuart Mill's two-volume *Principles of Political Economy* (1848) as the highwater mark.³ One, if not the, defining commitment of the classical school is the labor theory of value, although under closer scrutiny no two economists held identical versions of that theory. The labor theory of value was in effect a suite of different propositions that, taken broadly, identified labor as the primary cost of production and ingredient in the formation of a given price as well as issued normative statements regarding the entitlement of labor to a just reward. The early proponents of neoclassical economics in the 1870s and 1880s voiced opposition to the classical school, looking particularly to the work of David Ricardo and Mill. Their most radical and unified proclamation was to denounce the labor theory of value and replace it with a utility theory of value, arguing that prices could be explained in terms of diminishing marginal utility. Mainstream neoclassical economists to this day discredit the labor theory of value, not only because of its associations with Marxist economic thought, but also because it does not yield a coherent theory of capital in terms of labor embodied.⁴

There are several possible reasons why previous scholars did not associate Hume with the genesis of the labor theory of value. For several decades, Hume was mistakenly cast as a mercantilist because of his effusive praise of merchants and manufacturers.⁵ Moreover, he did not advance the system of agrarian capitalism that was central to the works of both François Quesnay and Adam Smith. Furthermore, Hume's economic

¹ See Meek (1973, 28). To his credit, Meek weaves in several references to Hume, noting, for example, that "Hume, Gervaise and Tucker popularized the idea that commodities produced for exchange consisted essentially of a mass of congealed or crystallised social effort" (Meek 1973, 41).

² Hutchison (1988, 34–36; 68–70). Hutchison queried Locke's adherence to a labor theory of value.

³ For a detailed overview, see Hollander (1987).

⁴ See Weintraub (1995). Gary Becker (1964) drove another nail into the coffin of the labor theory of value insofar as most labor in the service sector is recast as human capital.

⁵ Eugene Rotwein's lengthy introduction canvasses this misguided placement of Hume that prevailed for much of the first half of the twentieth century. See Rotwein (2007, xvi–xvii).

ideas are to be primarily found in his *Political Discourses* (1752) which, while highly influential for the time, was seen to be more polemical and less rigorous than the books by some of his contemporaries, notably Cantillon, Smith, and James Steuart. Hume had a tendency to flick out an idea but once, and then pass on to other matters, rather than systematically unfold a particular theoretical point.

Most scholars who trace the development of the labor theory of value are economists by training and much of the debate on the subject pivots on the potential of the theory to be consistent and complete. Philosophers of science, however, have demonstrated that no theory, including one for value and prices, is fully consistent and complete.⁶ Capital remains the bugbear of modern economics, and efforts to define or demarcate capital in terms of labor prove unsatisfactory. The point, however, is not whether Hume arrived at a rigorous theory of value and prices—he did not—but rather in what sense was he inclined to break with the prior doctrine of mark-up pricing and shift the analysis of value and prices with a primary eye to the input of labor.

The labor theory of value does not deny the presence of demand in determining prices or the fact that utility or use-value is a criterion for a commodity to exist in the first place. There are many references in Hume and Smith, as well as in Ricardo, to the importance of demand as a market force.⁷ However, in contrast to the neoclassical theory, the labor theory of value de-emphasizes the price of the moment that is mostly subject to the fleeting nature of demand (fashion and taste), in favor of long-term prices that reflect conditions in production, particularly the real costs of production in labor terms.

Like Smith and subsequent classical economists, Hume acknowledged the short-term effects of demand but his analysis was, for the most part, directed at the long-term price and overall groundswell of economic growth. As we will see, Hume articulated the key idea that the quantity and quality of labor is the primary determinant of the price of a commodity such as cloth. He had a clear grasp of the distinction between the nominal and the real for both commodity prices and wages, and discerned that, over the past fifty years in his own country, the price of wage-goods had fallen in real terms while rising in nominal terms. As a result, and as both Locke and Smith had argued, commoners enjoyed a higher standard of living than their medieval forebearers.⁸

⁶ There are persistent problems in carrying out a rigorous reduction of macroeconomics to microeconomics, of linking aggregate demand to individual demand, and above all, of defining utility or preference so as to give a satisfactory foundation to the concept of demand. For an excellent overview of some of the theoretical shortcomings of mainstream economics, see Hausman (2012).

⁷ See Hollander (1987).

⁸ On Hume's demonstration of the significant growth since Columbus, see Schabas and Wennerlind (2020, 83–85).

Hume also gestured to the idea that capital is “stored labour” and that the return to capital—the profit rate— had been bid down to a minimum due to competition in the financial markets. He also ruled out rent in the composition of a price. As a result, the price is primarily a function of the wage which in turn depends on the quality of labor required in production, in physical terms. Due to the shift to skilled labor and the increased division of labor since the Glorious Revolution, Hume believed that the prices of manufactured goods in England, notwithstanding inflation, had fallen in real terms. More importantly, he grasped that the wage and profit rate are inversely related and that, if the per-unit return to capital is reduced, the price will fall even in the case of an increasing real wage.

Furthermore, Hume issued a number of normative claims that fit with the labor theory of value. Adam Smith has traditionally been viewed as the first economist to give strong voice to the needs of the laboring class, but as we will see, Hume was also sympathetic to their plight. He advocated for dismantling the barriers to the movement of laborers and put much weight on the intensification of a work ethic that stimulated economic growth in early modern Europe. As an example, Hume pointed to the migration of tens of thousands of French Huguenots after the Revocation of the Edict of Nantes in 1695. Many were skilled silk weavers who had made their way from Lyon to London and enjoyed a safe refuge in England thanks to the Toleration Act of 1689.

As a rule, Hume advocated that the state adopt policies that would increase the supply and quality of labor, by promoting a larger, healthier, and happier population. “The good policy of the magistrate . . . [is such that] he keeps alive a spirit of industry in the nation, and increases the stock of labour, in which consists all real power and riches” (E 288). Hume believed, as well, that England’s prosperity was partly a function of the greater freedoms of association and expression that had come to pass since the Glorious Revolution of 1688, and that these incentivized urban life and hence increased production in the artisanal sector. Hume’s analysis of fiscal policy also kept a steady eye on the well-being of the lower orders. Taxes, he argued, are best imposed on luxury items and property, rather than on wage-goods or personhood (the dreaded poll tax). Indeed, Hume envisioned the possibility of a more egalitarian world, such that “every person, if possible, ought to enjoy the fruits of his labour, in a full possession of all the necessaries, and many of the conveniences of life” (E 265). His advocacy for high wages is a prominent theme that runs throughout his economic writings.⁹

One reason to dissent from this interpretation of Hume as an early exponent of the labor theory of value is that, in a footnote in his youthful *Treatise of Human Nature*

⁹ See Schabas (2024).

(1739–40), Hume challenged John Locke’s ascription that one could mix labor with objects, noting that this ought best be taken figuratively. As Hume observed, “properly speaking, we only make an alteration on it [the object] by our labour” (T 324). This footnote, however, was issued in the context of property rights and does not deny that labor is salient in the formation of value. It nonetheless grants labor the efficacy to alter the materials of the workplace. Moreover, in later texts, Hume is clear that industry (meaning labor), much in keeping with Locke’s famous argument for enclosure, is one of the means by which property (estate) is formed and that the expressed right to enclosure might prove a spur to industry (EPM 25).

It would take us too far afield to address the extent to which Locke did or did not sketch a labor theory of value. Suffice it to say that the ascription is controversial and hence it is not the case that Hume, *simpliciter*, rejected Locke’s theory of value.¹⁰ More importantly, it is possible that Hume changed his mind after the youthful *Treatise*. In his *Political Discourses*, issued over a decade later, Hume refers to the “store of labour”, “storehouse of labour”, or “stock of labour” about a dozen times, so there is also the possibility that he had come to believe that labor could, fluid-like, be stored in objects.

Natural philosophy in the early eighteenth century had a pronounced tendency to treat different substances, such as heat or electricity, in terms of the doctrine of subtle fluids or as imponderable pneuma (spirits). Hume assigned a number of fluid metaphors to money, for example as a “fluid” that, if “raised to too great a height, bursts and destroys the vessel that contains it” (E 321). In his *Enquiry Concerning Human Understanding* (1748), Hume refers to an “etherial active fluid” that might serve as the seat for the various forces in nature, gravity as well as the more mysterious ones of electricity and magnetism (EHU 58n). This may have prompted him to conceive of labor, much like money, as a substance that could be diffused as well as stored up in “vessels” to form capital (EHU 58n).¹¹

Adam Smith, in his efforts to distinguish productive from unproductive labor, committed to a chemical understanding of labor: “the labour of the manufacturer *fixes* and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past” (Smith 1976b, 330).¹² Smith issued a number of celebrated statements that motivate the labor theory of value; one that stands out in

¹⁰ Both Meek and Hutchison argue that Locke posited a labor theory of property and not of value, although they acknowledge critical anchoring claims, such as when Locke distinguished the value of an acorn and a loaf of bread. See Meek (1973, 21–22). Gershom Carmichael and Frances Hutcheson each maintained that Locke had steered the discourse on value and prices toward the concept of demand. See Hutchison (1988, 192–95).

¹¹ This is developed in Schabas (2005, 70–74).

¹² See Schabas (2005, Chs. 4–5).

particular is the claim that has come to be known as the labor-commanded theory of value. To quote: “labour, therefore, is the real measure of the exchangeable value of all commodities. The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it” or the “toil and trouble which it can save to himself” (Smith 1976b, 47). There is, to use the modern phrase, a labor-leisure trade-off and we thus project that subjective estimation (the “real cost”) onto the goods we purchase.

Hume prefigured this line of thinking, insofar as he depicted labor as both the means for procuring our valued goods and forming property, and as a key component of our passions, the subject of Book Two of his *Treatise of Human Nature*. Two of our core passions—pride and joy—revolve around our personal possessions, such as “houses, furniture, cloaths”, all of which are subject to “caprice” or fashion (T 185). The close nexus between our passions and human industry are also asserted by Hume in his essay “Of Commerce”: “every thing in the world is purchased by labour; and our passions are the only causes of labour” (E 261).¹³

Hume’s remark might also be read as emphasizing the subjective manner by which we estimate the value of things in terms of our labor, that we de facto purchase our goods by the sweat of our brow, what Smith would call the original purchase price in a world of barter. If every good or service is “purchased by labour”, then one can trace each acquisition back to the labor that one has expended directly or indirectly in order to have the means for that purchase. It would thus be estimated subjectively, appealing to an internal sense of the worth of a unit or type of labor.

In this sense, Hume seems inclined toward what Smith would later define as the labor-commanded theory of value. We value goods implicitly in terms of the labor we individually might otherwise have expended, and can thus manifest as purchasing power. Lurking in the shadows is the idea of the opportunity cost of our leisure time and other trade-offs between the pecuniary and the non-pecuniary. That Hume thought along these lines is made plain in his short autobiographical essay, “My Own Life.” Hume, for example, put a price on his own cheerful disposition “which is more happy to possess, than to be born to an estate of ten thousand [pounds] a year” (E xxxvi).

Hume also boasted that his book royalties or “copy-money” had made him “opulent”, whereas his posting to the British embassy at Paris in 1763–6 had given him “more money”, but not made him “richer” (E xxxviii–xxxix). It is unclear what this meant. Hume went to Paris to enjoy the friendship of the ambassador Lord Hertford,

¹³ On the links between Hume’s theory of the passions and his economics, see Grüne-Yanoff and McClennen (2008) and Lapidus (2011).

but, because of Hume's reputation as an infidel, was barred from following Hertford to his next appointment in Dublin. As with earlier employments in Bristol and in St. Albans, Hume had been dismissed in a manner that impugned his character. The point to make from this passage in Hume's autobiography is that he wrote figuratively of the monetary representation of different states of well-being; money did not necessarily enrich one's self-esteem. In short, there are important insights to be gleaned between those features of the world that are explicitly pecuniary and those that are not. Socrates, for example, was admired by Hume for his wisdom and "resolute contempt of riches" (EPM 63). Hume developed this line of thinking in his positioning of the good life, one of non-pecuniary goods such as friendship or the enjoyment of a good poem, as opposed to the mindless pursuit of commodities that he dismissed as "toys and gewgaws" (EPM 82).

Another reason previous scholars might have overlooked Hume's place in the tradition of the labor theory of value is that Hume did not analyze a price in terms of temporal units of labor, as in Smith's analysis of the ratio of exchange between a beaver and a deer among hunter-gatherers (Smith 1976b, 65). It was this manner of treating units of labor as embodied in goods that Ricardo would later develop. Given a reduction of the labor required to manufacture cotton stockings by a factor of four, and a constant demand, the price of the stockings, all things being equal, would be cut by four. As a general rule, Ricardo asserted that: "Economy in the use of labour never fails to reduce the relative value of a commodity, whether the saving be in the labour necessary to the manufacture of the commodity itself, or in that necessary to the formation of the capital" (Ricardo 1951 [1817], 26).

Hume never appealed to the labor embodied in goods as homogeneous or quantifiable by units of time, so in this respect he did not adopt a core component of the classical labor theory of prices. The closest he comes is his appeal to a uniform wage in a given region, and some remarks on the debasing effects of unskilled work that nonetheless induce good habits, order and discipline.¹⁴ His emphasis was rather on the potential of labor to intensify or abate and, in that sense, he was more inclined to address the quality than the quantity of labor. He observed that one is more a master of oneself in the morning than in the evening. This accords with Hume's treatment of labor as a passion, one that could be meted out with considerable variance and that its converse, indolence, has the unfortunate effect of dampening one's enthusiasm for work at an ever-increasing rate. Hume characterized indolence as akin to being asleep and, in that respect, a state devoid of passion and one that requires an internal force, or passion to overcome: "There is no craving or demand of the human mind more

¹⁴ See Schabas and Wennerlind (2020, 122-23).

constant and insatiable than that for exercise and employment; and this desire seems the foundation of most of our passions and pursuits. Deprive a man of all business and serious occupation, he runs restless from one amusement to another; and the weight and oppression, which he feels from idleness, is so great, that he forgets the ruin which must follow” (E 300–301).

Conversely, if one is employed, there is an intrinsic satisfaction to the work, and this in turn induces frugality and yet further industriousness. “In times when industry and the arts flourish, men are kept in perpetual occupation, and enjoy, as their reward, the occupation itself, as well as those pleasures which are the fruit of their labour” (E 270). Drawing specifically on Hume’s set of essays known as the “happiness quartet”, Margaret Watkins has shown Hume’s profound esteem for “working”, albeit with its many manifestations and vicissitudes. She also argues compellingly that there is a normative claim implicit in Hume, a call for political action to promote industriousness as the means to a happier populace.¹⁵

2. Contextual Support

Hume is clear at the outset of his essay “Of Commerce” that he sought to lay down a theory grounded in “universal propositions” and “general principles” (E 254). His “science of commerce” aspired to “include a whole science in a single theorem” (E 254). Although Hume never found that “single theorem”, [the Slutsky equation?] if one situates the *Political Discourses* in the context of his philosophical and historical writings, and includes his unpublished works and correspondence, it becomes clear that he had a sophisticated and systematic understanding of economic principles. He devised a number of important principles on money, markets, international trade, economic development, and fiscal policy, and he grounded these in his penetrating study of human nature which emphasized, as would Adam Smith, the sympathetic regard between fellow beings.¹⁶

Hume’s *Treatise of Human Nature* covers important ideas that pertain to economics, particularly Book Three that grapples with the principles of contractual obligations, property claims, and commercial transactions.¹⁷ Hume’s *Early Memoranda*, most likely

¹⁵ On industry as a virtue, see Watkins (2019, Ch. 3), especially 104–108.

¹⁶ This case is argued in Schabas and Wennerlind (2020). Hume’s *Political Discourses* (1752) was the only one of his books that was successful on publication, with a second printing in the same year, and a third in 1754. As a set of twelve essays, it was henceforth absorbed into his multi-volume *Essays, Moral and Political* (1754) and remained in that guise in English, with five more editions until Hume died in 1776. Significantly, the *Political Discourses* continued to be issued as a book on the Continent during Hume’s lifetime, undergoing a dozen translations, four of them in French.

¹⁷ See Wennerlind (2001).

written circa 1740, contains over two hundred distinct economic observations, recording data on employment levels, imports and exports, methods of taxation, the value of equities, and the different populations, money supply, exchange rates, and interest rates of various countries, including China, England, France, Italy, and Holland.¹⁸

Hume's correspondence also reflects an abiding passion for economic data, noting features of the European economy, particularly during his journeys to the Continent (1734–37, 1748, and 1763–66), not to mention observations drawn while living in London, some six years in total at various stages in his life. By the mid-eighteenth century, London had become the manufacturing and commercial metropolis of Europe. In his famous 1776 letter praising Smith for his book, Hume notes that Smith's appeal to many "curious Facts" was no doubt partly due to Smith having recently lived in London (HL 2:311). This remark accords with Hume's advice to build the moral sciences from "a cautious observation of human life . . . as they appear in the common course of the world", but also his admonition to collect a large set of examples and discern the underlying patterns (T 6).

Insofar as the *Political Discourses* was completed by the end of 1751, and that Hume and Smith had become good friends by 1750 if not 1749, there is good reason to suppose that Smith's ideas were partly adopted by Hume in his published work. The close friendship and correspondence between Hume and Smith, sustained over twenty-five years, meant that Hume served as a sounding board for Smith's *Wealth of Nations*. It is also possible, even likely, that Smith played a critical role in shaping the ideas that resulted in Hume's *Political Discourses*. They shared a close common friend, James Oswald of Dunnikier, who was also passionate about economics and served as Scotland's commissioner of trade from 1751–1759. Hume had visited Oswald at his Kirkaldy home in 1744, where they discussed economic topics and Oswald read the draft of some of Hume's economic essays in 1750 (HL 1:58; 1:142–144). Oswald's father had served as a surrogate father to Smith (whose own father had died before Smith's birth), and the two had grown up as brothers, even attending the same school in Kirkaldy. Smith had first read Hume's *Treatise* while a student of Francis Hutcheson at the University of Glasgow (1737–40), and its pervasive imprint on Smith's moral and political philosophy is indisputable. Hutcheson had also written on economics, and began a correspondence with Hume in 1739, reading a draft of Book III of the *Treatise*.¹⁹ In short, the paths of Hume and Smith were already intertwined long before they met in Edinburgh in 1749 or 1750.²⁰

¹⁸ See Sakamoto (2011).

¹⁹ James Harris argues that "Hutcheson was without doubt another powerful influence on Hume's early intellectual development", starting in the early 1730s. See Harris (2015, 26–27).

²⁰ Hume and Smith were most likely introduced by Oswald or Home in 1749, but knew of each other by the mid-1740s. See Mossner (1980, 248).

Smith's first biographer, Dugald Stewart, claimed that "the *Political Discourses* of Mr. Hume were evidently of greater use to Mr. Smith, than any other book that had appeared prior to his lectures [of 1755]".²¹ The fact that Smith delivered lectures on "some of Mr David Hume's Essays on Commerce" to the Literary Society of Glasgow on January 23, 1752, the same month Hume's *Political Discourses* was published, also suggests that Smith had read a draft of the manuscript. Smith was by nature cautious and would not have exposed an inadequate understanding of the subject had he read the book so shortly before the lectures. There is a follow up letter from Hume to Smith, on September 24 1752, requesting feedback on the essays, and when Smith recommended Hume to James Wodrow for the vacant post at the the University of Glasgow, he urged him to read the *Political Discourses*.²² Hume continued in later years to befriend and correspond with many leading "economists" of the period, notably André Morellet, Ferdinando Galiani, Robert Wallace, Isaac de Pinto, Benjamin Franklin, Steuart, and Turgot. In sum, Hume was much immersed in economic discourse, not just in the brief period when he wrote the *Political Discourses*, but throughout his life. One of the last books he read before he died was *The Wealth of Nations* (1776). The thesis argued here, that Hume ought to be placed within the classical school of political economy, gains additional support given his close association with Adam Smith and sustained interest in economics as part of his project to advance the moral sciences.²³

3. Price Theory

A brief overview of the theory of value and prices prior to Hume will help to situate his contributions. It is also important to note that Hume had read much of this literature before he published his *Political Discourses*—not only Hobbes, Locke, and Mandeville, but also Aristotle's *Nicomachean Ethics* and *Politics*—such that it can safely be assumed that Hume was attempting to expand or improve on the same set of ideas that already formed a coherent body of economic thought.²⁴ Aristotle had recognized that a price is in essence a ratio of exchange, the barter of two goods whether money is used or not. He also grasped that, while exchange requires commensurability, a price in effect papers over the ineluctable particularity of commodities. "Although things so different cannot become commensurate in reality, they can become commensurate enough in

²¹ Quoted in Ross (1995, 272).

²² See Ross (1995, 111–14).

²³ See Rasmussen (2017).

²⁴ Hume had read more widely on the subject of economics because he cites a number of predecessors, including Melon and DuTot (E 287–8n). There is an indirect reference to Mandeville in the *Political Discourses* (E 280) and an explicit acknowledgement of Aristotle's two works that cover economics (E 213; E 447). On other sources used by Hume for his economics, including a significant number of Greek and Roman texts, see Henderson (2010) and Harris (2015).

relation to our needs.”²⁵ Aristotle thus put his finger on the fact that price theory is intractable. The nominal representation of a price can never be a perfect measure of value (“commensurate in reality”).

By the sixteenth century, merchants engaged in overseas trade emphasized the role of demand under a semi-monopolistic regime. The price would be the highest the market could bear. In the 1620s, pepper in Indonesia cost three pence per pound but sold for seventeen pence in Amsterdam and twenty pence in London. Thomas Mun justified this mark-up as a return to his skill, ingenuity, and risk-taking on the open seas, but he also advocated price gouging, setting a lower price for exported English wool for a period of time so as to drive out the foreign competition, and then gradually raising the price as the market share increased. Mun thrived in a world where rent-seeking was widely accepted. Prices did not, in any obvious sense, reflect a return to the separate factors of labor and capital.²⁶

Meek (1973) maintained that a labor theory of value could only come into being with the capitalist system in place, with its three distinct classes (landlord, workers, and capitalists), corresponding to the three factors of production (land, labor, and capital), each with its own distinct and singular remuneration (rent, wage, and profit). The labor theory of value for Adam Smith also mandated that everything be reduced down to labor. “Labour measures the value not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit” (Smith 1976b, 67–68). Smith was clear that rent was a residual payment, what was leftover when the costs of labor and capital had been met, and that it was a monopoly price, the highest the landlord could exact. His emphasis on reduction is important as well, since he considered capital as the product of labor and hence measurable, at least in principle, in terms of labor embodied. Insofar as Smith was unable to carry out these reductions, or accommodate the problem of the depreciation of capital, some scholars have discredited Smith’s adherence to the labor theory of value.²⁷

Hume’s world was one of mature agrarian and mercantile capitalism. The so-called industrial revolution was at a preliminary stage when he wrote his *Political Discourses*

²⁵ Aristotle (1985, 131). See also Kaye (1998, Ch. 2).

²⁶ We cannot know for certain if Hume had read Mun before 1752, but while working for a sugar merchant in Bristol as a young man, Hume would most likely have encountered the work of John Cary who had drawn significantly on Mun’s *England’s Treasure by Forraign Trade* (1664). As Sophus Reinert in his study of Cary remarked, Mun’s book was “one of the true economic best sellers of early modern Europe” (Reinert, 2012). Mun is noted in the 1754 French translation of the *Political Discourses* and cited by Smith in the *Wealth of Nations*. Moreover, Hume had read Montesquieu while in France in 1748, the year it was published, and Mun is cited there as part of the “jealousy of trade” movement that Hume would subsequently challenge.

²⁷ For the latest round in this debate, see Peach (2020).

in 1748–51.²⁸ Nevertheless, his focus, more than Smith's, was on what Hume called "manufacturing", albeit on a small scale, similar in size to Smith's celebrated pin factory that employed ten men. As Hume recognized in a letter to Oswald, "the manufactures of London, you know, are steel, lace silk, books, coaches, watches, furniture, [and] fashions" (HL 1:143–144). In his essays, notably "Of Commerce", "Of Refinement of the Arts", and "Of the Rise and Progress of the Arts and Sciences", Hume made note of the importance of inventions, and the sense in which new technologies improved as they spread from one region to the next. In an exchange with Lord Kames in 1758, Hume underscored all the more the importance of capital accumulation, skilled labor, infrastructure ("extensive correspondence"), and technology ("elaborate" manufacturing) (HL 1:271). For exports to remain competitive and mitigate the increase in labor costs, a nation must increase its capital, adopt new machinery, introduce efficiencies and specializations by trade, improve its roads, harbors, and postal services, and induce economies of scale. Hume not only identified all of these factors, but he also acknowledged the importance of concentrating wealth itself and harnessing the gains from local trade (E 328). As he observed, the region of about two hundred miles encircling the axis of Dover–Calais has the greatest density of population and wealth in Europe and, as a result, the momentum from trade would strengthen its dominant position all the more rapidly (E 448).²⁹

Thomas Hobbes and William Petty had begun to acknowledge the critical role of labor in the formation of wealth. As an exponent of "political arithmetic", Petty proposed measuring the value of labor in terms of days, and suggested that the labor bill in the production phase was reflected in the per unit price.³⁰ It was only circa 1700, as Istvan Hont documented, that a number of savants—John Pollexfen and Charles Davenant most notably—began to comprehend a price in terms of covering labor costs, particularly for export goods such as woolen cloth.³¹ This came about by recognizing that English wool exports were in a steady decline due to the relatively high wages. With this came a clearer sense that one group, the weavers, received a wage while the other, the factors, received a profit, but as Smith emphasized, the profit ought not to be construed as a return to labor on the part of the manufacturer. It is justified by the risk

²⁸ Hume was inspired to write on economics after reading Montequieu's *Spirit of the Laws*, while in Turin Italy in autumn of 1748, and finished the *Political Discourses* in September 1751. See Mossner (1980, 218).

²⁹ Hume's observation was astute. He also recorded the prosperity of what is now Western Germany as he travelled eastward to Vienna (HL 1:126). The concentration of wealth in the Manchester-to-Milan megalopolis persists to the present.

³⁰ On Hobbes and Petty, see Hutchison (1988, 34–41). Hutchison concludes the section with the following: "as regards the fundamental questions of economic theory, Petty was a comparatively early and influential exponent of the cost-of-production and labour approach to the analysis of value and price" (Hutchison 1988, 41).

³¹ See Hont (2005, 240–45).

and abstinence entailed by owning capital, but should not be conflated with “the labour of inspection and direction” that the owner would pay to a manager (Smith 1976b, 66). As we will see, Hume was also apprised of these distinctions.

For the most part, wages were paid seasonally in the agrarian sector, and were relatively sticky, that is, fixed for long periods of time. The price of food, however, fluctuated considerably depending on the harvest and therefore was not, in any clear sense, a function of the wage or overall labor costs. The King-Davenant schedule for corn prices, issued around 1700, acknowledged a price elasticity of 45 percent in the case of a 50 percent contraction of the supply.³² Clearly, no wage exhibited that degree of variance. As for manufactured goods, the majority of purchases for the household were conducted at seasonal fairs, where prices were subject to the skill of pitchers, those who sold their wares in a declarative if not manipulative manner.³³ Shops became more commonplace in step with urbanization, but prices for luxury goods were still negotiated for the most part, and the rapid rise of newspapers in Hume’s own life reflected this, giving information and advice to customers new to the practice.³⁴

Hume’s gaze was mostly directed to a long-term price (akin to Smith’s “natural price”) which was in essence a return to the costs of production, in particular the labor costs. He conceived of these costs in physical as well as monetary terms. Hume made it clear that there was sufficient mobility in the labor market of a region to induce a uniform wage for a line of work, such as weaving cloth, and that this in turn induced a uniform or prevailing price. He opposed price ceilings and, for the most part, restrictions to both domestic and international trade. His *History of England* canvasses a number of efforts by the crown to regulate prices, to its folly and, as a result, Hume concluded that “it is evident, that these matters [the setting prices] ought always to be left free, and be entrusted to the common course of business and commerce” (HE 3:78).

Significantly, Hume broached the key elements of the law of one price that commits to price convergence, and he did this with the full appreciation of global competition.³⁵ The essential principle for Hume is that wages converge; laborers will move to regions of better remuneration, but the subsequent excessive supply of labor would then bring the wage down in conformity to other regions. Because there is a strong tendency for a

³² On the King-Davenant schedule, see Hutchison (1988, 46–48). Hume wrote about the price of corn in his *Political Discourses* (E 287), his *History of England* (HE 5:138–140), and in a broadside on the restrictions governing the market for corn (Raynor 1998).

³³ Both Mandeville and Defoe, for example, describe in detail the negotiations of a purchase of a bolt of cloth in a shop, while Turgot and Smith both expand on the practices of “higgling.” See Brown (1994) for coverage of early modern market transactions.

³⁴ See Porter (1991).

³⁵ See Cesarano (1998).

uniform wage, prices would in principle converge insofar as they are governed by both domestic and foreign competition.

In a letter to Turgot (1766), Hume wrote:

The Price of Labour [wage] will always depend on the Quantity of Labour [supply] and the Quantity of Demand [for employment]; not on the Taxes. The Tradesmen who work in Cloath, that is exported, cannot raise the Price of their Labour; because in that Case the Price of the Cloath wou'd become too dear to be sold in foreign Markets: Neither can the Tradesmen who work in Cloath for home Consumption raise their Prices; since there cannot be two Prices for the same Species of Labour. This extends to all Commodities of which there is any part exported, that is, to almost every Commodity. (HL 2:94)

This passage makes clear that Hume was wedded to the convergence of domestic wages for a given trade such as weaving cloth, and that the wage is the primary factor governing its price. He also paid attention to foreign competition, noting that there had been an “encrease of industry in neighbouring states”, and that this had only prompted more economic prosperity across Western Europe (E 331). The primary result is that the profit rate tends downward with the spread of capital and increased competition. A lower profit rate meant that manufacturers were compelled to seek out other efficiencies and to foster improved techniques. Hume’s analysis of the global migration of capital entailed that aggregate foreign demand for British cloth would increase over time and prompt a secular increase in domestic wages. Over the long term, however, there was a fall in real prices for consumption goods.³⁶

In one respect, Hume understood price formation better than Smith. He not only recognized that wages were the central ingredient in the formation of a price and that wages and profits were inversely related (if wages rose, profits fell), but that rent did not serve as a component of price. Upon reading the *Wealth of Nations*, Hume wrote to Smith, “if you were here at my Fireside, I should [sic] dispute some of your Principles. I cannot think, that the Rent of Farms makes any part of the Price of the Produce” (HL 2:311). There is some evidence that Hume had forged this understanding of the formation of a price before he met Smith. In his *Early Memoranda*, a list of about 300 factual claims recorded over several years circa 1740, Hume recorded that “a Pound of Steel when manufactur’d may become of 10.000 £ Value” (MEM 503). The revenue of ten thousand pounds on the sale of finished steel items, such as tweezers, scissors or watches, is significantly higher than the cost of the raw steel at the foundry, and hence due primarily to the input

³⁶ See Schabas and Wennerlind (2020, 148–49; 184–87).

of skilled labor. The enhanced exchange-value of the steel products is also a return to the capital invested, but Hume submits that this is far less significant than the labor. Because of competition (“rivalry”) and the mobility of capital, Hume believed that the rate of profit had fallen substantially in the past half century, in step with the secular decline of interest rates from ten percent under Elizabeth I to roughly three percent in the Georgian era. He makes note that as capital sums amass in the hands of an individual manufacturer or merchant, their total revenues continue to mount even with the lower rate (E 320). Hume was particularly brilliant in his argument that the profit and interest rate converge, due to capital accumulation and sophisticated financial markets that enabled British merchants “to require less profit in all their transactions” (E 320).

Hume was explicit in his *Political Discourses* that, as capital markets became more competitive, the profit rate would fall, and this would bring down prices.³⁷ “The small profit of the merchant renders the commodity cheaper, causes a greater consumption, quickens the labour of the common people, and helps to spread arts and industry throughout the whole society” (E 353). While it may prove challenging to observe the average profit rate, Hume argued that the profit rate converged on the interest rate, through the discerning investment judgments of thousands of men and women of means. Fortunately, the average interest rate was relatively easy to observe as posted by the banks and the rate on government bonds. We know that Hume was content to receive four per cent on his own equity holdings (HL 1:427). This empirical support for Hume’s law of the falling rate of profit was such that he believed profits had been bid down to more or less the lowest rate.

As Hume observed, there was now a class of “half-merchants, half stock-holders . . . willing to trade for small profits” (E 353–4). Lower interest rates prompted an investment in capital. As Hume argued, this resulted in economic growth and rising real wages. In principle, this would harm exports since other countries with lower wages might produce similar goods at lower costs and hence offer a lower price. Hume, however, grasped that this might not come to pass, since rising wages were correlated with increased efficiencies in production, more concentrated capital sums, more skills, and a stronger work ethic, such that the quality of labor compensated for its higher remuneration. As a result, he demonstrated that, in real terms, British prices had fallen over the past half-century, at least for manufactured goods, and hence exports had continued to rise. This enabled him to articulate the concept of a longterm price that was in essence a reflection of the quality of labor embodied.

³⁷ Hume’s reasoning would not pass muster with neoclassical economists, for whom the profit rate is determined by the principle of marginal capital. But they also assume a regime of perfect competition, whereas Hume’s world was one of semi-monopolistic trade and commerce.

We learn more about Hume's analysis of prices in his essay "Of Taxes." Hume positioned the three classes of landlords, workers, and merchants and manufacturers, in direct opposition to one another and argued that the burden of a tax tends to distribute itself across the classes. There are only two choices for an "artisan" [worker] when a necessity or convenience is taxed: "he may retrench somewhat of his expense, or he may encrease his labour" (E 346). Hume argues that an increase in wages is the last resort; "they must be very heavy taxes, indeed, and very injudiciously levied, which the artizan will not, of himself, be enabled to pay, by superior industry and frugality, without raising the price of his labour" (E 347). The reason, Hume avers, is the foreign competition that governs wages. "By what contrivance can he raise the price of his labour [when faced with a burdensome tax]? The manufacturer who employs him, will not give him more: Neither can he, because the merchant, who exports the cloth, cannot raise its price, being limited by the price which it yields in foreign markets" (E 347).

Hume's allegiance to the labor theory of value is also found in his cross-national analysis. Hume registered that the average Chinese worker earned three half-pence a day whereas the average unskilled worker in London received twelve to twenty pence per day (HL 1:144). As Hume observed, China is "one of the most flourishing empires in the world; though it has very little commerce beyond its own territories" (E 264). Hume conjectured in a letter of 1750 to Oswald that were China to open up, and shipping costs diminish significantly, "everything we use would be Chinese" (HL 1:144). He also remarked that all the silver from Latin America would be drained to China, and Britain's market share of the textile trade would dramatically decrease (E 313). The implication of this piece of reasoning is that the price is governed by the wage, and Britain's relatively high wages and hence high prices were mostly sustained due to imperfect competition and the closed economy of China.

4. Work Ethic

Low wages, for Hume, engendered idleness and entrapped a people rather than prompting them to work harder. High wages, by contrast, created more demand for goods. Hume celebrated the fact that the street porter in London enjoyed "bacon and brandy", and that Glaswegian tradesmen earned ten shillings a week. For Hume, there was a clear "work ethic" in Britain that he believed the Irish lacked. He had visited Cork briefly in 1746, and knew George Berkeley's tract on economics, *The Querist* (1725), as well as Jonathan Swift's *Short View of the State of Ireland* (1727–8) (E 310). By contrast, the "spirit of the age" of Georgian England was such that everyone was swept up in a go-getter mentality, to be enterprising, acquire skills, and work more effectively. This was evident in the texts by Mandeville, Daniel Defoe, and Jacob Vanderlint, whose *Money Answers All Things* (1734) speaks for itself.

For Hume, the state of being active is one of the three ingredients for a happy life, along with pleasure and indolence (E 269). But in addition to producing the goods we like to consume, pleasure comes from “exercise and employment”; indolence is construed as a respite from industry, needed for the nourishment of work, but not an end in itself (E 300). Hume also connects “every particular exertion of industry” to the resulting “gain”, and speaks of “harmless” ways of using one’s “mind or body” (E 301). The commercial era is a veritable beehive: “men are kept in perpetual occupation, and enjoy, as their reward, the occupation itself, as well as those pleasures which are the fruit of their labour” (E 270).

Hume extolled the the virtue of industriousness in several of his texts, including his second *Enquiry* and the *Dialogues Concerning Natural Religion* (EPM 6.40; DNR 110). In his *Essays*, Hume drew many fine-grained distinctions between mental and physical labor, delving into the virtues of a “constant bent of mind” and the “repeated habit” of hard work that induces order into one’s life (E 171). It is through effort that one might advance; “by art and attention alone thou canst acquire that ability, which will raise thee to thy proper station in the universe” (E 147).

Hume grants that the ordinary laborer might not enjoy heavy physical labor to the same degree: “poverty and hard labour debase the minds of the common people, and render them unfit for any science and ingenious profession” (E 198). But the implication of this is that they might have been able to ascend to a higher station if their work was well remunerated and less severe. “In times when industry and the arts flourish, . . . the mind acquires new vigour; enlarges its powers and faculties; and by an assiduity in honest industry, both satisfies its natural appetites, and prevents the growth of unnatural ones, which commonly spring up, when nourished by ease and idleness” (E 270). Importantly, Hume believed that the average Briton, over half of whom lived in towns or cities, was no longer poor. In his essay “Of Taxes”, Hume portrayed British weavers as capable of adjusting their budgets, undertaking the “expedients of frugality and industry” in “years of scarcity” (E 347). Hume also grants that there are cases of talented persons rising up in the world; there are “low people, without education, [who] will start up amongst us, and distinguish themselves in every profession” (E 208n). Whereas for Smith, “an upstart is always disagreeable” (Smith 1978, 402), Hume was more approving of upward mobility and cosmopolitan identities, at least for European men.³⁸

Hume also commits to a trickle down effect. In a letter to Turgot, he notes that the wealthy commercial classes in France and England have provided “labour to the poorer sort,” especially in manufacturing (HL 2:94). Hume points to the gradual spread of

³⁸ Hume, unfortunately, did not approve of the efforts by Francis Williams, formerly a Jamaican slave of African heritage, studying at the University of Cambridge (E 208n).

a “spirit of industry,” that has fostered new and better skills and techniques among artisans, in a nation undergoing commercialization (E 276). Hume notes the transfer of skills in the production of textiles. “If the spirit of industry be preserved, it may easily be diverted from one branch to another; and the manufacturers of wool, for instance, be employed in linen, [or] silk” (E 330). For Hume, the modern commercial world has helped foster more attentive and skillful workers, such as the silkweavers who had transformed London into a major producer of textiles (HE 6:471). The fact that excellent woollen cloth is produced in the modern era is testimony to the fact that “the minds of men . . . turn themselves on all sides, and carry improvements into every art and science. . . . Men enjoy the privilege of rational creatures, to think as well as to act, to cultivate the pleasures of the mind as well as those of the body” (E 271). It is clear that by including weavers in this account Hume is not only speaking of those in the middle class. Looking to the legacy of Newton—the son of an illiterate yeoman—and the spread of technical knowledge in Britain, Hume avers, “we cannot reasonably expect, that a piece of woollen cloth will be wrought to perfection in a nation, which is ignorant of astronomy” (E 270–271).

In regions that have not undergone commercialization, Hume maintained that, “a habit of indolence naturally prevails” and everyone, “soldiers . . . farmers and manufacturers” tend to be “ignorant and unskilful” (E 261). Hume also observes that peasants in feudal times were “lazy” and lacking in ambition, and that the inhabitants of tropical regions tend to over-indulge in carnal pleasures, because they are able to procure their basic necessities with little effort, and thus have few aspirations to work. But in northern regions, where the land is less productive, everyone must become more prudent and enterprising. With the advent of the modern commercial state, the peasants have become “rich and independent” and are effectively no longer peasants (E 277). As did Locke and Smith, Hume considered the average British commoner to be wealthy by historical standards. Hume notes that “every person in England is computed by some to spend six-pence a day; yet he is esteemed but poor who has five times that sum” (E 429).

The point Hume is making is that what now counts as poor would have seemed ample if not lavish in times past. “No man is ever esteemed rich for possessing what may be reckoned an equal distribution of property in any country, or even triple or quadruple that wealth” (E 429). That thirty pence a day that would still make one feel poor amounts to about forty-five pounds per year. Hume, whose paternal great-grandfather was a Baron and maternal grandfather a Sir, lived frugally on an annuity of fifty pounds in the 1730s and found both London and Paris unaffordable as a place to live. London had become exceedingly expensive, he notes, yet some 5,000 people flock to London each year (E 387–388). Another sign that the overall standard of living had nonetheless risen

is found in his remark that the dish of peas that was once only consumed by the feudal lord of the manor at Christmas is now on every plate across the land (E 279).

As Hume observed, the Enclosure movement had brought about “the encrease of industry and of the arts, which have given maintenance, and what is almost of equal importance, occupation to the lower classes” (HE 3:329). His sympathies with workers are also evident in a letter to Smith in 1772, upon hearing of the collapse of the Bank of Ayr and expressing fears that a cascade of insolvencies would ensue. Hume remarks that the Carron Ironworks near Stirling “is reeling, which is one of the greatest Calamities of the whole; as they gave Employment to near 10,000 People” (HL 2:263). His respect for British commoners is also apparent in his remark about monetary interventions by the state, such as a debasement or an arbitrary tax. “People in this country are so good reasoners whatever regards their interests, that such a practice will deceive nobody” (E 638). In sum, he gave common folk more presence of mind in the economic landscape; everyone benefitted from the spread of trade and commerce, the arts and sciences.

5. Economic Growth

Hume offered a brilliant account of how the new silver from the Spanish port of Cadiz that merchants brought to Britain from the sale of cloth, stimulated genuine economic growth, spurring weavers to work more intensively in a given hour or day because their “good paymasters” had enabled them to settle their credit accounts with the local grocers and brewers (E 286–287). Everyone lived on credit in those days, on “tick” as the saying went, and hence the influx of good money from time to time that enabled the debts to be settled with local shops deceived everyone into thinking they were richer than they were. The weavers and farmers, inspired by the full-bodied coins jangling in their pockets, work with “greater alacrity and attention” and as money spreads through “the whole commonwealth . . . it must first quicken the diligence of each individual, before it encrease the price of labour [the wage]” (E 286–287). Prices and wages are sticky, and only rise as the velocity of money augments. “The specie may encrease to a considerable pitch, before it have this latter effect . . . [that is, to] encrease the price of labour [the wage]” (E 287). Hume underscores that the price of cloth has not increased even when prompted by additional purchases by farmers, that is, a shift in demand. Money is for the most part neutral for Hume and the period of growth only transpires in the “interval” between the arrival of foreign specie and the establishment of a higher price level.³⁹ In the Cadiz account, the money acts as a temporary stimulus, but the true source of wealth creation is the intensification of labor.

³⁹ For further details, see Wennerlind (2005).

The consequence of this piece of reasoning is that Hume put his finger on the well-spring of economic growth, namely labor. The primary insight, that an unanticipated and localized injection of good money can stimulate workers to improve the quality of their labor per day and hence engender a greater output, was later argued by Milton Friedman and honored with the Nobel Prize.⁴⁰ But, of equal importance for Hume was to emphasize that money per se is not wealth and indeed, that the expansion of national output was often in opposition to the accumulation of money. “To consider the matter abstractedly [that is, to theorize], manufacturers encrease the power of the state only as they store up so much labour, and that of kind to which the public [government] may lay claim, without depriving any one of the necessaries of life. The more labour, therefore, is employed beyond mere necessaries, the more powerful is any state” (E 262). Real wealth, he noted, stemmed from a growing population, one of healthier and more prosperous workers. His advice to statesmen was to leave the money alone and attend to the well-being of its citizens. “In short, a government has great reason to preserve with care its people and its manufactures. Its money, it may safely trust to the course of human affairs, without fear or jealousy” (E 326).

The fact is that labor, when channelled more intensively, also increases the standard of living over the long term. One of Hume’s more brilliant insights, drawing on Petty’s attention to transaction levels, was to show that the quantity theory of money is not simply a claim that the price level rises with the money supply; it is also a function of the level of aggregate output. To quote: “it seems a maxim almost self-evident, that the prices of every thing depend on the proportion between commodities and money. . . . Encrease the commodities, they become cheaper; increase the money, they rise in their value . . . [and hence] it is the proportion between the circulating money, and the commodities in the market, which determines the prices” (E 290–91). He argued that, over the past 250 years, the money supply had increased by a factor of eight, but the price level had at best increased by a factor of four (E 292). “A crown [5 shillings] in Henry VII’s time [1500] served the same purpose [purchasing power] as a pound [20 shillings] does at present [1750]” (E 281). The only explanation given the much greater supply of silver from Latin America is that the gross domestic product had at least doubled, and the money in circulation increased in nominal terms to service that many more transactions. Most importantly, the source of this economic expansion was the quantitative and qualitative increase of labor, through efficiencies, skills and, above all, population growth.

Based on the passages already cited, Hume clearly recognized that, because of market forces, there is a strong propensity to a uniform wage and hence to price uniformity.

⁴⁰ To his credit, Friedman (1975) made full acknowledgment of Hume.

He points out that there is less variance in regional prices in England than in France because the former is more commercially developed. “There is more difference between the prices of all provisions in Paris and Languedoc, than between those in London and Yorkshire” (E 354–55). All of this suggests that Hume thought in real terms, that prices are at bottom governed by the amount of labor required to produce a good, rather than supply and demand conditions or the money supply, and that there was a longterm tendency to induce labor efficiencies and hence a lower real price for goods.

Hume is also clear that capital is “a kind of storehouse of labour”, that the state could draw upon in times of war (E 272). The reason a good government requires that the people know “how to make a spinning-wheel, or to employ a loom to advantage” is precisely because it can harness this accumulated capital when mounting “fleets and armies” (E 272–73). Hume gives as an example the capital required for breeding cattle, or growing corn in Britain where the land needs more attention than in the south of France (E 266–7). Peasants in Burgundy lack sufficient bread and make wine with the meager capital of twenty shillings for their “instruments of husbandry” and “a couple of sorry horses” (E 266–67). Because the English land is less fertile, this has induced prudential behavior. “A farmer, therefore, in England must have a considerable stock [i.e. capital], and a long lease; which beget proportional profits” (E 266). Hume also observes that considerably less labor is now required to produce the grains necessary to feed his country due to capital accumulation; less than thirty per cent of Britons now worked in the agrarian sector (E 256n). This would insure that Britain, much like Holland, would retain its relative wealth well into the future; “the advantage of superior stocks [capital] . . . is not easily overcome” (E 331).

6. Conclusion

Hume’s analysis of a price, both a singular price and the general price level of a region, underscores his emphasis on the significance of the quality of labor. Capital goods are in essence a store of labor and nations became wealthier by improving the quality and quantity of both labor and capital. The profit rate moved inversely to the wage and given the overall tendency of profits to be bid down to the interest rate, the primary determinant of a price was the requisite wage for the production of a commodity, particularly in the manufacturing sector. Hume also put much weight on the virtues of industry and the intensification of labor. As we have seen, he attended to the aggregate supply of labor for a nation, comparing for example England and Ireland, and recognized that the productivity of a nation as a whole was a direct function of the well-being of its people. As a result he advocated the spread of skilled labor and manufacturing. Hume celebrated the modern commercial world for prompting a rising standard of living, growing population, and greater urbanization.

Hume offered a relatively accurate depiction of the British economy circa 1750: prices and profit-rates were falling in real terms, wages and population were rising, capital was concentrating into ever greater sums, and manufacturing was on the rise.⁴¹ Based on this picture, Hume also issued normative claims regarding the lower orders. Hume saw industry as in the service of political liberties; the spread of wealth would act as a powerful solvent on social ranks, conventions and the inhibiting mores of former ages. He hoped that the lower classes, as did Smith, would partake in more secular if not libertine pursuits (T 363; Smith 1976a, 306–14). In his essay “Of Commerce”, Hume made note more than once that the state should promote the collective happiness of the people. Hume was not an egalitarian, but he nonetheless sought to lessen inequality, “so that a greater number of persons . . . share the productions of these [mechanical] arts” (E 265). There will always be rich and poor, he believed, but there is good reason to shift towards greater equality, to lift the workers out of poverty, since “no one can doubt, but such an equality is most suitable to human nature, and diminishes much less from the *happiness* of the rich than it adds to that of the poor” (E 265). He doesn’t get much more categorical than this.

⁴¹ For an excellent overview, see Mokyr (2009).

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