

# ASSA – URPE 2024

## **A Future for Socialized Property: Exploring the Heterodox Post-Capitalist Visions of John Stuart Mill and Leon Walras**

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# The Background: John Stuart Mill

- John Stuart Mill and Leon Walras need no introduction to students of the history of economic thought.
- If we exclude Marx, Mill can be considered the last great Ricardian economist of the 19<sup>th</sup> century.
- While he significantly modified Ricardo's analytical framework and paved the way for Marshallian discussions of long-run equilibrium, Mill continued to use class analysis and argued that capitalist evolution was closely related to shifts in the distribution of income between labor and capital.



# Background Continued:

## Leon Walras

- On the other hand, Walras along with Jevons and Menger, upended the Ricardian tradition by insisting that equilibrium prices were largely determined by the relationship of scarcity to marginal utility.
- Walras dispensed with the use of class categories in his economic analysis, although he retained the framework when he discussed different types of income. Wages represented returns to laboring capability. Profits were returns to the leasing of capital equipment, and rent represented returns to the ownership of land.
- Walras also stressed the importance of entrepreneurship as another key input in economic production.



# Mill and Walras as Socialists

- Despite their different theoretical frameworks, both Mill and Walras proclaimed that they were socialists.
- Their ideas about socialism were very different from many radical, working-class socialist visions that were emerging in the mid to late 19<sup>th</sup> centuries.
- They were both skeptical of working-class activism and remained committed to the market as the most appropriate institution for the decentralized organization of material life.
- So, in what sense, were Mill and Walras socialists?
- Are their models at all relevant to 21<sup>st</sup> century proposals for radical socialist reform?



# Organization of Presentation

- I will address these questions in four sections.
- First, I will discuss their critiques of 19<sup>th</sup> century capitalism
- Second, I will present their alternative models of socialism.
- Third, I will note the way in which their own ideas about the prospects for a post-capitalist society undercut their own socialist advocacy.
- Fourth, I will address the contemporary relevance of their socialist visions.



# The Critiques of Capitalism by Mill and Walras

- Mill and Walras had four major critiques of capitalism.
- The distribution of property in 19<sup>th</sup> century capitalism was unjust.
- Capitalist property relations created working class poverty.
- Capitalism subjected many workers to tyrannical workplace relations.
- Capitalist competition promoted excessive individualism.



# Mill and Walras on Property

- John Stuart Mill's views on property have been discussed extensively by Joseph Persky and most recently by Helen McCabe.
- Mill adopted a utilitarian framework to analyze property relations and argued that the right to property should be linked to sacrifice either through productive effort or abstinence (i.e. savings).
- He stressed that much of the distribution of property we observe is unjust both because of the coercive seizure of property in the past and the practice of inheritance in the present.
- This analysis, according to Mill, was particularly relevant for our understanding of the distribution of land ownership.



# Mill on the Ownership of Land

- The essential principle of property being to assure to all persons what they have produced by their labour and accumulated by their abstinence, this principle cannot apply to what is not the produce of labour, the raw material of the earth. If the land derived its productive power wholly from nature, and not at all from industry, or if there were any means of discriminating what is derived from each source, it not only would not be necessary, but it would be the height of injustice, to let the gift of nature be engrossed by individuals.

John Stuart Mill. 1909. *Principles of Political Economy*, 7<sup>th</sup> edition. London: Longman, Green and Company. Part II. Chapter 2. Accessed on November 8, 2023. The following quotes from Mill are from same section of *Principles*.

<https://www.econlib.org/library/Mill/mlP.html>



# Walras on the Ownership of Land

- Walras' approach to the distribution of land was based on what he called natural law.
- He thought property rights should be linked to justice, and that a good society must have a just distribution of property even if output declined as a result.
- Walras thought payments in return for the use of human capabilities or the use of capital were just.
- On the other hand, payments to individual owners for the use of natural resources was unjust because land was a gift from nature or God to all of the human community.



# Walras' Natural Law Approach to Property

- Let us persist, then, in wishing to set up a theory of property on the foundation of law and justice and let us refuse to believe that individual appropriation of the land is sufficiently motivated by the needs of cultivation, which is a theory, whether true or false, to which we can always raise the objection that for is devoid.
- Walras, Léon, and Lon Walras. *Studies in Social Economics* (Milton Park, Oxfordshire: Taylor & Francis Group, 2010): 29.



# Capitalism, Poverty and Workplace Tyranny

- Mill argued that depriving workers of wealth-producing property subjected them to poverty and workplace tyranny. In *Principles*, he suggests that capitalism could be more humane but in practice has created a system in which those who work the least command the most income.
- Walras made a similar claim and proclaims that workers experience conditions similar to slavery.



# John Stuart Mill on the Conditions of the Working Class

- If the institution of private property necessarily carried with it as a consequence, that the produce of labour should be apportioned as we now see it, almost in an inverse ratio to the labour—the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal, and so in a descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on being able to earn even the necessaries of life; if this or Communism were the alternative, all the difficulties, great or small, of Communism would be but as dust in the balance.
- JS Mill, *Principles of Political Economy*, Book II, Chapter 1.



# Leon Walras on Working Class Conditions

I shall certainly be accused of exaggeration and socialism if I now compare the proletariat with slavery and servitude. But I shall accept the accusation. I call myself democratic socialist because I see in slavery, servitude and in the proletariat three empirical phases of one and the same question, namely that of property and taxation, or the distribution of social wealth among men in society.

Leon Walras, *Studies in Social Economics*: 144-5.



# The Distortion of Norms under Capitalism

- Mill had more to say about this issue than Walras, but it is important to note that Walras did not accept the argument that preferences were solely a product of individual tastes. He argued clearly that preferences were shaped by the social environment, and he thought that creating a different system of property would change public attitudes and lead to more production of goods for public consumption.



# Walras on the Social Production of Preferences

- Man survives thanks to the division of labour and lives in an economic and moral society, a lifestyle for which sympathy and a feeling for aesthetics, understanding and reason, consciousness and self-determination are requisite. The aptitude for the division of labour, sympathetic love and the aesthetic sense, reason, and free and conscious will are faculties that became apparent, and are developed in industry, art, science, and mores; all these aptitudes and their manifestations are related and reinforce one another reciprocally. Walras, Léon, and Lon Walras. *Studies in Social Economics*, Taylor & Francis Group, 2010.



# Mill on the Negative Features of Capitalist Norms

- Mill has similar views to Walras, and he applied this vision to extend his critique of capitalism. Note how he stressed the decline of public generosity and freely granted public service under capitalism.
  - The deep-rooted selfishness which forms the general character of the existing state of society, is so deeply rooted, only because the whole course of existing institutions tends to foster it; and modern institutions in some respects more than ancient, since the occasions on which the individual is called on to do anything for the public without receiving its pay, are far less frequent in modern life, than the smaller commonwealths of antiquity.
- JS Mill, *Autobiography*.



# Socialist Proposals: John Stuart Mill

- The proposals of Mill and Walras envisaged a radical restructuring of property relations, but their emphases differ.
- Mill anticipated the creation of workplace cooperatives which would begin through the adoption of systems of profit sharing which would then likely evolve into a system of total worker ownership.
- He argued that such systems would both raise worker productivity and eliminate subservience to capitalist masters.
- Mill linked his framework to his feminist critique of the household, and he clearly hoped that women both as workers and as household members would enjoy more autonomy and personal freedom with the establishment of the cooperative form of social property.



# Socialist Proposals: Leon Walras

- Walras was also a strong advocate for worker cooperatives, but his emphasis was on the public ownership of all natural resources. The state would act as a neutral auctioneer and permit entrepreneurs (including worker entrepreneurs acting through worker-owned cooperatives) to bid for the use of the natural resources.
- Such a system would allow the state to fund its activities without taxing the population – which Walras viewed as an unjust taking of income which should rightly flow to the owner of the productive resource.



# The Evolution of Walras' Views

- Walras was an enthusiastic promoter of cooperatives throughout his life. In the 1860s when he was in his late 20s and early 30s, he especially stressed the importance of establishing credit unions which could mobilize worker savings and help spread cooperative forms of ownership. Walras put his money where his writings were. He helped found a credit union and served as an advisor to many others.
- As he got older, however, he increasingly focused on the land ownership question.
- He attributed his views on the need to nationalize the ownership of resources to his father – Auguste Walras.
- Renato Cirillo argues that Walras must have also been influenced by the work of Henry George, but Walras himself did not stress that connection.



# Mill's Evolving Views on Socialism

- Mill's socialist perspective became apparent through the various editions of Principles of Political Economy.
- The early editions were less radical in their critique of the capitalist order than the later ones.
- Some have attributed this turn to socialism to the influence of his socialist-feminist wife, Harriet Taylor, and it is clear that Mill linked his critique of work relations in the factory to the oppression of women in the household.
- He never wavered from his conviction that a good society would eliminate coercion and permit the flowering of individual creativity.



# Did Walras and Mill Think that Socialism Would Replace Capitalism? Mill's Views.

- Both Mill and Walras feared working class revolutionary activism.
- Mill, in particular, argued bluntly that workers needed many more years of education before being able to manage a socialist polity.
- In his posthumously published “Chapters on Socialism”, Mill also cast doubt on his own evolutionary arguments which suggested that worker cooperatives could organically emerge out of Victorian capitalism.
- He instead suggested that ‘communist managers’ who would be elected by worker owners would be more cautious and bureaucratic and worker-owned firm would be less dynamic than capitalist-owned firms.



# Replacing Capitalism: Walras' Views

- Leon Walras had similar patronizing attitudes to Mill about the capability of workers.
- On the other hand, his views on the malleability of norms made his outlook somewhat more optimistic.
- He thought that if the appropriate legal framework were established, then workers would thrive under the new regime for which he advocated.
- On the other hand, his view of social change basically centered on convincing the political elite to change their views on the appropriate forms of social organization.
- Unlike Marx, neither Mill nor Walras proposed a plausible framework for social change.



# Mill, Walras, and 21<sup>st</sup> Century Models of Socialism

- There is much in Mill and Walras' ideas about socialism that seem antiquated.
- Neither anticipated the enormous rise of the state during the 20<sup>th</sup> century.
- They would have been dismayed by efforts by socialists to interfere with the market's ability to allocate resources. They would have also denounced attempts to centrally plan an economy.
- They would probably have been most attracted to Scandinavian social democracy since both did support unions as vehicles to redress the uneven balance of power between capital and labor.



# Walras and the Ubiquity of the State

## Ownership of Land

- On the other hand, Walras' ideas about state ownership of natural resources has been implemented almost everywhere, although I would not claim that Walras' ideas had any impact on these developments.
- Indeed, the Arab Gulf States have come closest to implementing the full vision of Walras by using the rental income from the ownership of oil fields to eliminate taxes and fund robust state activities.
- I am not arguing that this the Arab Gulf states are socialist especially since it is not the state but the ruling families which own the oil fields.
- Nevertheless, this example is interesting and suggests that in certain cases, Walras' ideas might be feasible.



# Thomas Piketty's Millsian Perspective

- Thomas Piketty in his series of essays bundled together in a volume entitled *Time for Socialism* makes several arguments that Mill would have appreciated.
- First, his proposal for a wealth tax to reduce inequality is something that Mill would, I think, have supported.
- Second, his proposals to use these fiscal resources from a wealth tax to create systems of quality education for everybody would also appeal.
- Finally, Piketty has argued for a more inclusive and democratic system of corporate governance. Like Mill, socialism for Piketty is associated with creating institutions which promote the more active participation of workers in regulating their economic lives.



# Final Comments for My URPE Colleagues

- As an economist deeply influenced by Marx, I had always viewed the rise of neoclassical economics in the late 19<sup>th</sup> century as creating a framework inhospitable for advocates of radical reform.
- I viewed Mill as one who failed to take the step toward a Marxist critique of capitalism which was sometimes implicit in his writings.
- I never thought that Walras had a radical bone in his body.
- I think it is time to reevaluate our understanding of the evolution of economic doctrine.
- Yes, indeed, neoclassical economic emphasis on the miracles of competition, private property and individualism still makes it a wonderful vehicle for predatory corporate funders who hire economists to mystify the general public.
- Still, there is often a radical critique embedded in these theories which we should search for and utilize in our attempts to argue for a more inclusive, equitable, socialist future.