J.S. Mill is often regarded as a transition between classical and egalitarian liberalism.¹ I argue that Mill’s role as a transition figure can be partly explained by developments in his economic views. Many people know Mill the political philosopher, but few people within ethics pay much attention to Mill’s work as an economist. I propose to focus on an underappreciated feature of Mill’s economic thought: his separation of production and distribution. This separation, I argue, helps to explain why Mill is a transition figure, for few know the whole story. While the primary aim of this article is to outline the nature and origins of Mill’s distinction and its effects on his political theory, his innovation may also have contributed to a fundamental change in how many intellectual figures thought about the task of the theory of justice and social policy. I will speak to these matters below. I also aim, in my discussion of the figures Mill influenced, to draw out the connection between Mill’s economic views and his political theory by viewing his economic developments through the eyes of those directly influenced.

Another important aim of this essay is to use the discussion of Mill’s economic views to illustrate a broader point: contemporary political philosophers often ignore the deep connections between the political and economic theories of the great historical political philosophers, many of whom were also important economists. Mill’s story helps to demonstrate that paying insufficient attention to these political philosophers’ economic ideas obscures important motivations for their political views. Furthermore, this lack of attention obscures the degree to which contemporary political philosophy is influenced by these same ideas. The economic views we will examine in this essay have arguably influenced the economic narrative tacitly appealed to by an expansive number of
contemporary political theories. The essay, then, should add credence to the idea that contemporary political philosophers are deeply affected by economic narratives that are often generated, unbeknownst to them, by the economic theories of the great political philosophers like John Stuart Mill.

I proceed in five parts. First, I briefly outline the historical sources of Mill’s developments. The following two sections separate two particular production-distribution distinctions that Mill made. In my second section, I examine Mill’s departure from the classical economists’ view that increasing production is the best means of helping the laboring poor. In the third section, I discuss Mill’s separation of the laws of production and distribution. I hope to show that Mill’s changing attitude towards production and distribution importantly altered his conception of economic justice. My fourth section takes up this task. I conclude in section five. In general, I hope to illustrate a conceptual connection between the development of Mill’s attitude about distributive justice and the development of attitudes about the connection between the production and distribution of wealth.

I. Historical Precedence for Mill’s Developments

As stated above, one of J. S. Mill’s most influential contributions to economics is his separation of production and distribution. We can analyze this separation as two distinct contributions. First, Mill was developing a unique attitude toward production by de-emphasizing economic production as an anti-poverty tool. Second, Mill separated the laws of production and distribution. Call this Mill’s methodological separation of production and distribution. I will discuss each change at greater length in the following
two sections, but I should spend a bit of time here explaining what I take the production-distribution separation to be.

In short, both separations involve a *doubling* of institutional questions. We will see that most classical economists believed that various economic factors dictated what distribution must be given certain productive arrangements. Their central question was this: How do we produce the most for all? But Mill adds a second question: How should we distribute that produce? Mill is perhaps the first major political philosopher to argue explicitly that production does not necessarily dictate our distributive arrangements. The first separation will emphasize the insufficiency of production to meet the needs of all, highlighting the need to re-focus on distribution and the second separation encourages us to analyze the process of distribution as primarily one of social choice. In other words, by separating the laws of production and distribution, Mill draws out attention to the malleability of distribution within the confines of a system of production.

For the remainder of this section, I shall discuss the origins of the pressure to separate an analysis of production and distribution generally. It is important to bring out the fact that while Mill’s innovations in political theory were deeply shaped by his innovations in economic methodology, his innovations didn’t come from purely scientific considerations alone. Mill indeed had *normative* motivations for his production-distribution distinctions. What follows is a brief outline of these motivations. I also take up Mill’s motivations in sections II and III.

The production-distribution distinctions did not originate with Mill, although he made them prominent. There was pressure to separate production and distribution prior to his writing. A contemporary of Mill’s father, the Ricardian Socialist William Thompson
was concerned to separate production and distribution. iv A contemporary of Mill’s, G. Scrope, argued that the classical economists “idolized production to the neglect of distribution.” iv 

Despite these criticisms, the classical economists were already in the habit of separating production and distribution, but they did this as merely a scientific matter where distribution was that part of economics that dealt with wages, rent, and interest, and production dealt with capital, investment, and so on. Joseph Schumpeter, in his *History of Economic Analysis*, describes the state of the science at the time as treating distribution as a “semi-independent department of economic analysis” and that when the theory of distribution was discussed, it was treated as “a compound of separate theories of profits, rent, and wages, each of which was based on a distinct principle of its own”. vi

Pedro Schwartz locates the origins of the production-distribution distinction in Ricardo. vii The presence of the distinction in Ricardo is probably of some significance. If classical economists had already begun to separate production and distribution, making the distinction stronger may have come more easily than it would have otherwise.

Although the classical economists separated production and distribution descriptively, they still held that production was the primary tool of anti-poverty policy. Many classical political economists, like Adam Smith and Ricardo, thought the “progressive” or growing state of the economy was important and regarded an alteration in distribution as often having negative consequences for production. Smith held that a growing economy was essential for the well-being of the laboring poor. viii Smith argues further that it is not rich countries where wages are high, but rather ‘thriving’ countries. ix On Smith’s view, fast growth rates do a great deal to increase the prosperity of the
laboring poor.\textsuperscript{x} Ricardo helped develop the view that a growing capital stock leads to an increase in wages.\textsuperscript{xi} Recall that Ricardo was an enormous influence on Jeremy Bentham and James Mill. And J. S. Mill was widely regarded as the one of the last Ricardian economists.

Mill departed from his predecessors in part due to the criticisms of the classical economists.\textsuperscript{xii} Many of these criticisms developed out of the sentiment that the classical economists’ analysis of production was cold-hearted and rationalistic. Apparently Mill felt the pressure to make economic analysis more “humane.”\textsuperscript{xiii} We can plausibly argue that these criticisms led Mill to separate production and distribution. For one thing, the history of Mill’s young life helps to explain why Mill would pay so much attention to critics of classical political economy, like Thomas Carlyle and Samuel Coleridge.\textsuperscript{xiv} Thus, while Mill’s separation of production and distribution is not entirely original to him, he still produces important innovations in the way many thinkers conceptualized the relationship between economic production and distribution.

Both versions of the separation had a significant impact on Mill’s political theory, or so I shall argue. The first development led to an increased reliance on government intervention for anti-poverty policy. Mill played a central role in increasing academic focus on the distribution of wealth as a means to poverty reduction. However, most economists treated production and distribution as two sides of the same coin. One couldn’t be changed without altering the other. As for the second development, Mill made an effort to separate the laws of production and distribution in his scientific work. Mill takes production to be a mainly scientific enterprise, while he takes distribution to be a primarily social phenomenon that is not strictly governed by economic laws. By
advancing this distinction, he is able to justify a refocus on changing the distribution of wealth. If distribution and production are governed differently, then policies aimed at changing the distribution of wealth won’t be seen as narrowly focused. Mill thereby contributes to a schism in political theory between production on the one hand and distribution on the other. We now turn toward Mill’s first major departure from the classical tradition – his rejection of increasing economic production as anti-poverty policy.

II. The Rejection of Production

Throughout his career, Mill interacted with a variety of French intellectuals, including Auguste Comte and many pre-Marxian socialists, particularly the followers of Saint-Simon. In an 1829 letter concerning Auguste Comte to a Saint-Simonian named d’Eichthal, he sharply critiques of the British attitude towards production. Emphasizing that social forces “never were, never can be, directed to one single end, nor is there any reason for desiring that they should”, he argues that no single end, even if achieved, could make us happy. Mill’s impression of British culture is that it is myopically focused on economic production. He points out that if Comte were better acquainted with British culture, if he knew how “this idol production has been set up and worshiped with incessant devotion” then he would see how this devotion “lies at the root of all our worst national vices” and much more. What’s worse, it corrupts the individual, making it “almost hopeless to inspire them with any devotion either of intellect or soul”.

Mill rejects Comte’s suggestion that the purpose of government is to direct society to one end. Earlier in the letter, Mill notes that Comte’s remark could only be seriously advanced by a Frenchman, because the French people were noble enough to
pursue one good end. I take this to mean that the French could afford to commit themselves to a single social end because they would probably choose a good end. As we’ve said, Mill counters that the one end the British have picked has corrupted them; in fact, he sees the British fixation on production as preventing the pursuit of other worthy social goals. The British people believe that happiness is to be achieved by increasing economic production; yet, no single end can satisfy a human person. Mill argues that the British focus on production has vulgarized even the more cultured classes.\textsuperscript{xix}

For Mill, concentrating on economic production is destructive because it leads to an inordinate attention to individual interests. In another letter to d’Eichthal, Mill notes that Britain’s political institutions are such that “everything is accessible to wealth and scarcely anything to poverty” due to an obsession with economic production.\textsuperscript{xx} Thus another concern of Mill’s is that an overriding concern with production ends up leaving the poor behind. We’ll see the development of this sentiment in some detail below.

Mill’s concerns about production extend into his 	extit{Principles of Political Economy}. The 	extit{Principles} were seen as providing a comprehensive defense of laissez-faire, yet in the 	extit{Principles}, Mill clearly recognizes that inordinate attention to production can be socially deleterious. Mill is trying to navigate a difficult path between defending political economy and giving it a more human side. N.B. De Marchi argues that Mill is out to both “reiterate stern necessities” while “demonstrating his concern for the working classes.”\textsuperscript{xxi} Mill is therefore not launching an assault on production. But his goal is to relegate the concentration on production to the legitimate province of political economists – and out of the mind of the average British person.
The most relevant section of Mill’s discussion of production is in the section of his *Principles* called “Of the Stationary State.” The stationary state is a state of society where productivity and population growth have reached their maximum. Mill begins the chapter with an acknowledgement that the stationary state is “dreaded and deprecated.” He writes of Adam Smith, for instance, that he “always assumes that the condition of the mass of the people, though it may not be positively distressed, must be pinched and stinted in a stationary condition of wealth”. Mill, however, dissents from this view. He argues that “even in a progressive state of capital” that we need a restraint on population; this is to prevent the ratio of persons to capital from increasing and “the condition of the classes who are at the bottom of society from being deteriorated”.

Mill believes then that the state of society can deteriorate even during periods of increased production if population growth is left unchecked. In the next section, Mill provides positive arguments that the stationary state is not undesirable; for production had proceeded far enough. What we need to worry about now, he argues, is distribution. It’s important to note Mill was not generally sour on the idea of the progressive state. He simply believed that the progressive state was oriented towards no end. He asks “Towards what ultimate point is society tending by its industrial progress? When the progress ceases, in what condition are we to expect that it will leave mankind?” Mill intends to provoke us to imagine how this kind of progress will affect us. He therefore doesn’t see the stationary state with the “unaffected aversion” of the classical economists and thinks it would be “on the whole, a very considerable improvement on our present condition”. On Mill’s view the best state for humanity is one where:

… while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back, by the efforts of others to push themselves forward.
Mill echoes the point he made in his 1829 letters: an emphasis on production will be responsible for distracting the populace from “devotion of intellect or soul.” A stationary state of society would mean that the populace had reprioritized its energies, after having reached a level at which all could be sustained.

Mill actually believed that the stationary state was just around the corner, so long as certain conditions held. To anyone reared in the 20th century, this will of course appear ridiculous, particularly the naturalness with which Mill thinks that improvements upon production are the exception, rather than the rule. But this seems to have had a major impact on Mill’s refocus on distribution; if the stationary state is just around the corner, then production just can’t be the best overriding economic goal for a society to have. Note that because of the fact that Mill saw the stationary state as inevitable and fast-approaching, that he didn’t see the question of production and distribution as one of a choice between growth or the stationary state. The stationary state was coming, one way or another; the questions Mill raised about distribution were raised under this belief.

But Mill has other reasons for de-emphasizing production that he discusses at some length. Mill’s major problem is that emphasizing production leaves the poor behind. In a famous passage in the Principles, Mill remarks that we shouldn’t congratulate ourselves if those who are “richer than anyone needs to be” get richer, or that people move from the middle classes to richer classes, occupied richer classes to unoccupied ones. He comments that increased production is only important in “backward countries” and that in the most economically advanced countries what is most needs is a “better distribution”. Of course, true to Malthusian form, the foremost tool of redistribution in Mill’s mind is a “stricter restraint on population”. Mill’s attitude
towards redistribution, or what he calls “leveling institutions” is rather mixed. Whether these institutions be just or unjust, they “cannot alone accomplish” a better distribution. Instead, while they may hurt the “heights of society” they can’t by themselves “permanently raise the depths”.

The passage contains four distinct claims, all worth examining. First, Mill argues that the rich become richer is of little value on its own. Second, Mill claims that increased production is only important in developing countries. Third, he argues that what is needed is a “better distribution.” Lastly, Mill argues that egalitarian social policy cannot constitute the entirety of anti-poverty policy. The first and third claims appear to imply that Mill believes that much of the increased wealth of the British populace did not help the poorer classes. If the rich are getting richer, and we are in need of a better distribution, then the increased wealth is leaving the poor behind. Mill seems to have acquired the belief that the increase in the wealth of the rich was not helping the poor. This in itself betrays a rejection of the classical attitude towards productivity increases.

At least initially, the second claim is hard to take seriously, particularly given the fact that Mill wrote this 1848. Increasing economic production has remained a central means of alleviating poverty and increasing well-being for the past 150 years, particularly in countries that were considered “developed” in Mill’s time. But Mill believed that the developed countries of his day were close to exhausting their productive capacity, barring increases due to innovation and free trade. This view connects directly with his view that the stationary state is close to becoming a reality in the most developed European countries. In this discussion, Mill emphasizes a common concern about the declining rate of profit. As productivity increases, society tends toward a zero-profit rate. Profits are
made possible by the fact that entrepreneurs have not discovered how to take full advantage of their profit opportunities and will expand production to the point where the profits fall off to nothing. If one believed that the stationary state was just around the corner due to a quickly declining rate of profit, then it would be rather natural to de-emphasize increasing production as an anti-poverty tool.

Regarding the fourth claim, it is worth noting that Mill believed that egalitarian social policy could not do the whole job of restructuring the distribution of wealth. Specifically, Mill holds that egalitarian social policy will merely level out differences between persons, when what we ultimately want is to permanently increase the well-being of all. The fourth claim here certainly reflects the influence of Mill’s classical liberal upbringing; ultimately he wants social wealth to rise to a level that sustain a good life for all persons, and he sees increasing economic production as a means to this end.

In the same passage we’ve discussed, Mill gives some policy recommendations illustrative of his “mid-way” liberalism. Mill argues that we will have attained a better distribution of property through two factors: (1) the “joint effect of the prudence and frugality of individuals” and (2) a “system of legislation favoring equality of fortunes, so far as is consistent with the just claim of the individual to the fruits, whether great or small, of his or her own industry”. Thus, Mill allows for inequalities due to the fruits of one’s labor. He comes out against inequalities not due to the fruit’s of one’s labor, however, defending inheritance taxes to a sum “sufficient to constitute a moderate independence”. Thus, so long as those receiving inheritance have enough for a “moderate independence”, inheritance taxes are just. Within the constraints we’ve discussed, Mill thinks that we’d have a society with (1) well-paid and well-off workers,
(2) no large fortunes, except those “earned and accumulated during a single lifetime”, and
(3) a much larger group of people than we have now, not just able to avoid the harder
work characteristic of Victorian England, but with enough leisure time to cultivate
themselves. And he believes that such a society would be not only “greatly preferable to
the present” but “perfectly compatible with the stationary state”.

Mill attempts to balance two moral claims: first, the desirousness of equality of
fortunes and second, the just claim of the individual to the fruits of his or her own
industry. One couldn’t ask for a better demonstration of Mill’s mid-way liberalism. He
balances a typically classical liberal concern with ensuring that persons are entitled to the
fruits of their labor with a modern concern for a more egalitarian distribution of wealth.
How does Mill hope to implement this compromise? First, Mill holds that the demands of
equality of opportunity trump the right of persons who acquire wealth to freely transfer
them. Thus, he seeks to place limitations on inheritance and gifts. This is clearer in
another part of the Principles where Mill considers an ideally just system of private
property. Yet after this equalization, persons’ accumulation of wealth would be left
alone, as “the division once made, would not again be interfered with; individuals would
be left to their own exertions and ordinary chances …”. He seems to believe that the
sum of just policies will yield a society of well-paid and wealthy workers, yet no
enormous fortunes that were not accumulated within a single lifetime. Most people would
have a reasonable amount of leisure time and would be able to enjoy activities outside of
their work. In particular, they would be able to “cultivate” themselves, or to commit
themselves to the sorts of projects that Mill believed all persons would seek if they were
able.
Notably, Mill ties his vision of the future to the stationary state. He argues that the stationary state is “more naturally allied” with his vision than other systems. It’s not clear why Mill thinks this. For one, the ideas expressed above aren’t obviously more compatible with a stationary state of society than a progressive state. But Mill does not elaborate. Nonetheless, Mill believes that a hard-working public coupled with mild redistributive policies is most desirable, and that such a society never progressing in size or productivity would give individuals time to live decent, fulfilling lives.

In sum, Mill de-emphasizes production as an anti-poverty tool for two reasons: First, an emphasis on production is culturally corrosive. It causes people to neglect the more important features of life. Second, an emphasis on production may leave the poor behind. Mill partially rejects the view of Smith and others that progress with regard to economic productivity tends to benefit the poor in ‘developed’ countries like Britain. Mill is concerned that the causal relation between increases in the welfare of the poor and economic progress is rather loose, at least in much of Europe’s then-current economic circumstances.

Mill’s attitude is a clear precursor to attitudes fairly common today. And hopefully it won’t be too speculative to suggest that Mill’s views on these matters influenced some major intellectuals in the generation following him. In Henry Sidgwick’s work, we find a further of a de-emphasis on production. Sidgwick’s own *Principles of Political Economy* continues and expands all of Mill’s developments discussed in this essay, including the de-emphasis on increasing economic production as an anti-poverty tool. Sidgwick himself notes that classical political economy was too focused on production and did not appear to care much for a better distribution of wealth.
particular he notes that many of the classical political economists held that “natural liberty tends to realize natural justice” but that “since the influence of J. S. Mill has been predominant [emphasis mine], I do not think it has been the prevailing opinion even among the rank and file of the ‘orthodox’ school of Political Economy”.\textsuperscript{xi} The above is some evidence that Mill had the suggested effect; a Millian theme is acknowledged as influential by Sidgwick.

Mill influenced others besides Sigwick. A well-known economic journalist and historian, Walter Bagehot claimed that Mill was first among the great English economists that the stationary state may be as good for national well-being as a progressive state.\textsuperscript{xli} Further, some major economists began to express Millian attitudes. I shall speak in the next section about the late 19th century British economist Alfred Marshall, who’s *Principles of Economics* took the place of Mill’s *Principles* as Britain’s primary economic text. Marshall thought that economic inequalities possessed “no real necessity” and, therefore, could not be justified.\textsuperscript{xlii} These influences are worth mentioning not merely to show the lasting influence of Mill’s distinction, however. They also help us to understand what lesson Mill distinction communicated to those who followed him. I take it that Marshall and Sidgwick’s reactions are in line with the interpretation I’ve given here. With this, I will now discuss Mill’s methodological separation of production and distribution.

**III. The Methodological Separation of Production and Distribution**

Mill made several contributions to economic methodology, but many regarded Mill’s distinction between the nature of the laws of production and those of distribution in political economy as his most important.\textsuperscript{xliii} The laws of production, for Mill, are the laws
governing creation of wealth; the laws of distribution, in contrast, are the laws governing how that wealth is disseminated. Mill believed it important to separate the two for reasons we will discuss. His major work on the matter can be found in his *Principles*, but he clearly intended to make the distinction in his early writings. The first acknowledgement I’ve found is in Mill’s 1831 review of Scrope. Schwartz notes that “Mill agreed with Scrope in 1831 that the distribution of wealth is fully as important as its amount”.\textsuperscript{xlii} In what, in general, was a rather scathing review of Scrope’s work, Mill praised Scrope for focusing on the problems of distribution.\textsuperscript{xliii}

Apparently Mill’s interest continued for sometime. It came up in his extended exchange with Comte, in a letter in 1844. Comte was skeptical of political economy as a legitimate scientific enterprise, but Mill thought it could be saved with a few modifications. Mill maintains though, that were he to write something on the matter he would “never forget the purely provisional character of all [political economy’s] concrete conclusions”. Further, he would “devote” himself to separating the laws of production and distribution. For the laws of production are “necessarily common to all industrial societies” while the principles of distribution “assume a particular state of society”.\textsuperscript{xlv}

We also have some record of Mill’s thoughts on development of the distinction from his autobiography, where he discusses the formation of the *Principles*. He attributes his emphasis on the distinction between production and distribution to his associate, soon-to-be wife Harriet Taylor, arguing that she contributed a tone that “consisted chiefly in making the proper distinction between the laws of the Production of Wealth, which are the real laws of nature, dependent on the properties of objects, and the modes of its Distribution, which, subject to certain conditions, depend on human will”.\textsuperscript{xlvii} It is also
plausible that Mill’s early interactions with the St. Simonians imposed the importance of the distinction upon him, as we saw in Mill’s exchange with D’Eichthal. xlvi

In what follows, I’ll attempt an analysis of the main passage where Mill makes the distinction. The distinction is first introduced in the introduction to the *Principles*:

The production of wealth; the extraction of the instruments of human subsistence and enjoyment from the materials of the globe, is evidently not an arbitrary thing. It has its necessary conditions. …

Unlike the laws of Production, those of Distribution are partly of human institution: since the manner in which wealth is distributed in any given society, depends on the statutes or usages therein obtaining. But though governments or nations have the power of deciding what institutions shall exist, they cannot arbitrarily determine how those institutions shall work. The conditions on which the power they possess over the distribution of wealth is dependent, and the manner in which the distribution is affected by the various modes of conduct which society may think fit to adopt, are as much a subject for scientific inquiry as any of the physical laws of nature. xlix

For Mill, the laws of production have a non-provisional character, whereas the laws of distribution are partly socially constructed; in other words, social choice plays a larger role in the one than the other. Mill makes similar remarks to those discussed in his *System of Logic*. He appears to have thought that distribution could be somewhat altered without much effect on production, although it is clear throughout his economic writing that he understood that there was still an important connection.

I should note the peculiarity of Mill’s notion of a “law” of distribution. The laws of production are laws that determine what can be produced given certain circumstances. But what is a law of distribution for Mill? It looks like these laws don’t really determine anything. All Mill emphasizes is that the laws of distribution are provisional. But in what sense is a law provisional? From what I can tell, a law of distribution is a kind of rough historical generalization. Such a law seems to take the form: “If within this country, in
this time period, we distribute X according to rule Y, we will have outcome Z.” The law of production lacks the qualifications of place and time.

The ethical implications of the passage are also worth discussing. First, realize how the distinction between production and distribution opens the door to a new kind of liberalism. Pedro Schwartz notes that the distinction “allowed Mill to emphasize that the system of competition, private property and inheritance was not a postulate of economic science”. Of course, this does not mean that Mill is for the curtailment of all these things. Mill is a defender of competition and private property, although an opponent of inheritance. The point instead is that he can emphasize the contingency of these institutions, which in turn indicates that these institutions might be overturned.

Note that the distinction may lead to a de-emphasis on questions concerning the justice of production. If social choice is more relevant to distribution than production, then moral choice is, too. Distribution, then, might become the focus of a theory of justice. Mill himself did not believe that distributive justice was the whole of justice, however, emphasizing instead that persons be rewarded in part according to the fruits of their labor. Yet the distinction itself distinguishes Mill from not only both classical liberals and libertarians, but also from Marxists of most stripes. In some ways, the distinction connects Mill more closely to egalitarian liberalism, which is often thought to concern itself with principles of distribution alone.

The issues in the current section relate to those of the last. The de-emphasis on production is strengthened by separating production and distribution. These two strands in Mill’s thinking probably reinforced one another. On the one hand, production is not the most effective anti-poverty tool, and on the other hand, distribution is much more under
our control than matters of production. Acceptance of these two points would strongly motivate an orientation toward distribution-centered policies rather than production-centered ones.

It’s worth some discussion to see how Mill’s distinction influenced the major economic and historical intellectuals of his day. The perspective of these figures will also help us to understand the connection between Mill’s economic theory and his political theory. Towards this end, I will point, as I did in the last section, to figures in the generation following Mill. I’ll discuss seven historical figures who took Mill’s distinction on board – to some degree or another. I believe it will prove interesting to see how Mill’s distinction was understood by those who followed him. I shall discuss the influence of Mill’s distinction on Cambridge philosopher Henry Sidgwick, economic historian Arnold Toynbee, historian Cliff Leslie, economic journalist and historian Walter Bagehot, late classical economist John Cairnes, and two of the foremost early neoclassical economists, Alfred Marshall and Leon Walras.

First, Sidgwick. Sidgwick also separates production and distribution in his ethics and political economy; he “agree[s] with Mill in separating the Theory of Production from that of Distribution and Exchange”. Sidgwick assigns desert a large role in determining distribution and that is deeply tied to production. Nonetheless, he conceives of justice distributively on the whole.

Further, Sidgwick’s *Principles* separate off considerations of production and distribution, although the two subjects are closely linked. Sidgwick is concerned not to develop an “egalitarianism of poverty.” In fact, Sidgwick was rather concerned that redistributive policies actually benefit production, where possible. In the past,
interventions of this sort “rightly – aimed at improving production as well as
distribution”.lviii He continues by contrasting policies aimed at improving distribution by
improving production with policies that merely address distribution, and he prefers the
former to the latter. So Sidgwick follows Mill in separating production and distribution,
yet he keeps them bound together to some degree; also, he attempts to design policies for
a more just distribution that minimized harm to production. Sidgwick thought that, in
practice, this led to an increased role for government beyond the softened laissez-faire
Mill advocated. Although he denies that one could go as far towards egalitarianism or
socialism, as say, Rawls thinks that a society must go.

Toynbee and Leslie both held that economic history must become more socially
oriented. They praised Mill for acknowledging that the distribution of wealth is not a
matter of mere economic science, but also of complex historical and cultural factors.
Toynbee argues that Mill’s Principles initiated a ‘fourth stage’ of intellectual history.
Toynbee points out that “a great advance was made by Mill’s attempt to show what was
and what was not inevitable under a system of free competition”.lix For Toynbee, Mill
saw that the laws of distribution did not make the distribution of wealth inevitable; this
insight broadened the range of politically feasible economic systems.

Leslie’s view was similar. Leslie argued that Mill’s distinction allowed economic
historians to broaden their scope of analysis. Leslie points out that Mill exposes as
fallacious treating political economy as the “science of exchanges”. This overlooks
important factors that influence economic production, particularly “the truth that human
institutions, laws of property and succession, are necessarily chief agencies in
determining its distribution”.lx Distribution, he continues, is “the result, not of exchange
along, but also of moral, religious, and family ideas and sentiments, and the whole history of the nation”. The distribution that results from exchange, Leslie argues, varies “at different stages of social progress” and if far from the *a priori* approach of political economy. Leslie welcomes Mill’s methodology of political economy, then, because it shifts economic methodology in an empirical direction and allows us to assess the property systems which make industrial economies possible.

The economic journalist and historian Walter Bagehot reviewed Mill’s 1848 edition of the *Principles* and lists what he considers Mill’s important contribution. He points out that Mill shows that the divide in industry between labor and capital is “neither destined nor adapted for a long-continued existence” and “that a large production of wealth is much less important than a good distribution of it”. He further praises Mill for emphasizing that “fixed customs are perpetually modifying the effects which unrestrained competition would of itself inevitably produce” and that a sizeable class of “peasant proprietors” contributions greatly to “national advantage”. Note here that Bagehot mentions and appears to endorse both features of Mill’s views on production that I mention in this article: both that a distribution of wealth is more important than a large production of wealth and that the stationary state is amenable to national well-being.

John Cairnes was a student of Mill’s. Cairnes is often regarded as the very last of the classical economists. It isn’t clear how much influence his work had, but it is worth noting his agreement with Mill on this methodological point. He argues that it is always necessary in political economy “to reserve for separate and distinct investigation the laws of the production and distribution of wealth”. Cairnes aside, Mill appears to have had a large impact on two of the first neoclassical economists, Alfred Marshall and Leon
Walras. Marshall is worth discussing in detail due to the widespread influence of his own *Principles*. Marshall points out that “in his later years” Mill, influenced by Comte, the “Socialists” and public sentiment tried to bring out the “human, as opposed to the mechanical, element in economics”. Instead of pure technical analysis, Marshall saw that Mill “desired to call attention to the influences which are exerted on human conduct by custom and usage …”

Marshall echoes the sentiments of Leslie and Toynbee by arguing that Mill contributed to a broader understanding of human behavior. Marshall goes onto attribute this change to economics as a whole and to cite Mill as the “first important indication” of the change. The change cannot be solely caused by Mill’s distinction between production and distribution. But the distinction is part of the impact. For Marshall continues by arguing that Mill’s desire to make economics more human led him to emphasize that the laws of distribution are “dependent on ‘particular human institutions’” and may be modified.

Clearly Marshall regards Mill’s distinction as having a major impact. Marshall also notes that Mill’s followers have “continued his movement away” from the immediate followers of Ricardo because the human element in economics was becoming more prominent. Marshall also thought that Mill and his followers had had a major public effect due to their new thinking. Marshall speaks of the “higher notion of social duty” that is spreading. He writes that “Mill and the economists who have followed him have helped onwards this general movement”. Marshall regards Mill as a major turning point in raising a kind of social consciousness and changing our economic
conception of the person. And to Marshall’s mind this made a difference at the theoretical and the practical political levels of human affairs.\textsuperscript{lxix}

I leave Leon Walras for last because I think the connection between the separation of production and distribution and economic reform is clearest in Walras’ work. Note first Walras’ agreement with Mill:

The will of man is free to influence the production, as well as the distribution, of social wealth. The only difference is that in distribution, man’s will is guided by consideration of justice, whereas in production his will is guided by considerations of material well-being.\textsuperscript{lx}

Walras has moved beyond Mill. For Mill, both production and distribution are normative. But for Walras, justice is entirely a matter of distribution. Production does not directly relate to justice. Renato Cirillo writes that Walras “distinguished clearly between the laws of production and the laws of distribution.” Cirillo points out that for Walras, economic laws applied only to the production of wealth, while “distribution was conditioned by the principles of social ethics and justice”.\textsuperscript{lxI} Note also the similarity of Walras’ and Mill’s mid-way liberalism. Rillito: “Following in the footsteps of John Stuart Mill, he sought to find a compromise between the orthodox \textit{laissez-faire} doctrine and a radical social reform which he advocated with great passion”.\textsuperscript{lxii} So Walras followed Mill in separating production and distribution and doing so impacted his ethical thinking. Walras’ focus was “the distribution of social wealth of among men”.\textsuperscript{lxiii} What’s interesting about Walras’ view is how his view develops from Mill’s. While Mill regarded both production and distribution as matters of justice, Walras dropped ethical considerations concerning production and focused only on distribution. Walras didn’t merely concern himself with the influence of the distinction; instead, he took it as a departure point for his own thinking about social policy.\textsuperscript{lxiv}
In the next section, I will apply these reactions to Mill’s work along with our understanding of his distinction to an examination of the connection between his economic and political theory.

IV. From Economic Doctrine to Economic Justice

The combined effect of Mill’s two distinctions between production and distribution, I believe, had a significant impact on Mill’s political theory and his conception of economic justice. As we’ve seen from the figures discussed in the previous two sections, Mill’s first distinction changed the question about how to help the poor from one of production alone to a question concerning both production and distribution. Mill’s second distinction, by emphasizing the historical contingencies of distributions of property, allows one to see the effects of distributive systems as alterable. And if they’re alterable, they become the subject of important ethical questions, particularly whether such distributive systems should be altered and how they should be altered.

We’ve already discussed a variety of policy changes that Mill advocated which were, in one way or another, related to his production-distribution distinctions. First, Mill was a strong advocate of birth control, in part because of its distributive effects. On Mill’s Malthus view, without birth control, the working poor are consigned to an impoverished existence. If we reduce the ratio of laborers to capital, however, we can substantially improve the wages of the working poor, at least in the short-run. Second, Mill defended a substantial inheritance tax. And we can see both of his production-distribution distinctions at work here. On the one hand, if increased production beyond a certain point doesn’t help all persons, then some of the extra wealth produced may be moved from those who have too much to those who have too little. On the other hand, if
systems of distribution are largely based on custom and sentiment, then they can be altered and so an inheritance tax becomes not only possible but feasible. We also discussed Mill’s concern for equality of opportunity. He was no modern egalitarian, for he allowed that desert could justify substantial inequalities. Nonetheless, he strongly believed that all should be allowed an equal chance to achieve a good life. Mill’s emphasis on the contingency of distribution opens the door for these concerns and his concern about production leaving the poor behind fits nicely with a concern that all persons, rich or poor, have a shot at success.

But I believe it worthwhile to spend some time in this section attempting to illustrate the connection between economic theory and political theory with a single, clear, well-developed example. Our case in point is Mill’s attitude towards organized labor.

Mill made a major contribution to public policy that was, at least partly, motivated by economic doctrine: he made respectable the claim that labor unions could effectively raise real wages without causing more harm than good. In doing so, he caused political economy to take seriously the claims that unions added to the economic good of a nation. Supporting the right to unionize (or ‘combination’ in those days) became a key part of Mill’s conception of economic justice, in part, as a result of this development.

I should first remind the reader what the consensus concerning union activity was prior to Mill. Classical economists tended to regard union strikes as incapable of permanently improving the lot of labor. The political economist David McCulloch is fairly representative of the classical economists of the mid-19th century when he argues that the interests of capital and labor are “at bottom identical”. For the classical
economists, for labor to fight with capital was against labor’s own interest. McCulloch argues that “the rate of wages wholly depends on the proportion between capital and population”. Classical economists believed, by and large, that wage rates were determined by dividing the “quantity of necessaries and conveniences, and, on the other, the work-people, among whom they are to be divided.” As a result there is no way to raise wages except by “accelerating the increase of capital as compared with population, or by retarding the increase of population as compared with capital”. No other methods could succeed in raising wages. Classical economists derived this view from their model of wage division between laborer and capitalist, what was known as the doctrine of the wages-fund. Briefly, the model holds that wages are paid from a fund that the capitalist provides out of revenue and that this fund is fixed over a given period. Thus, distribution from the fund is a zero-sum matter, a certain portion going to labor and another portion going to capital. If laborers demand higher wages, then the capitalist will simply employ fewer workers. Workers just can’t win through unionization.

The classical view held some currency in the public sphere, but at Mill’s time this consensus was collapsing. Yet the wages-fund doctrine continued to be “the greatest difficulty in the way of trade unions”. For most of his career, even deep into several editions of his *Principles*, Mill still held to the wages-fund doctrine. Mill echoed the view of classical economists, arguing that “nothing can permanently alter wages, except an increase or a diminution of capital itself”.

Mill changed his mind in his later years, however. There is debate amongst historians of economic thought as to why this happened. What is clear is that Mill
recanted some feature of the wages-fund doctrine in such a way that had a major effect on intellectual and popular attitude towards trade unionism.

Here is some of the evidence for the change in his understanding of the wages-fund. He saw the wages-fund doctrine as a barrier to social reform he desired. In a letter to Henry Fawcett, concerning Fawcett’s discussion of trade unions in his Manual of Political Economy, Mill wrote that he thought he could “shew that an increase of wages at the expense of profits would not be an impracticability on the true principles of political economy”.\(^{lxxxii}\) So here we have Mill acknowledge that it is possible to increase wages and decrease profits, which means that Mill believed that labor unions could achieve permanent increases in their own wages through labor action. By this Mill presumably means to go farther than the view already accepted by classical economists that labor unions can help to keep wages near the market rate. He seems to believe that labor unions can reorganize distribution without adversely affecting production in a way that harms them.\(^{lxxxiii}\)

But this is not yet a recantation of the wages-fund doctrine. Mill’s recantation comes in a review of Mill’s friend W. T. Thornton’s book On Labour, its Wrongful Claims and Rightful Ones, its Actual Present and Possible Future.\(^{lxxxiv}\) In the review, Mill denies that there is any fixed amount of money from a previous time period that the capitalist uses to pay wages to his workers.\(^{lxxxv}\)

It’s worth noting that Mill did not integrate his new insight fully into future editions of his Principles. However, his last edition did mitigate one of his harshest statements of the wages-fund.\(^{lxxxvi}\) It is not clear why. But Mill made a variety of pro-union claims following his recantation. He argued that laborers, through unionization,
could increase wages beyond what would have happened without the union’s influence.\textsuperscript{lxvii}

What’s the payoff of all this? The recantation, however serious it might be, demonstrates something of a conceptual change for Mill in the relation between production and distribution. Ekelund writes that Mill’s recantation indicates that “the economy’s distribution of resources between present and future goods was not determined by real factors affecting investment, but rather by the ‘money decision’ of the capitalist”.\textsuperscript{lxviii}

Ekelund’s suggestion may be correct, for this change is rather natural for Mill. As we’ve discussed, Mill was increasingly viewing economic circumstances as the result of socially alterable decisions concerning distribution, rather than as the result of the laws of production. Instead of seeing wage rates as determined by “real factors affecting investment” Mill attributes a hefty share of the cause of wage rates to the \textit{decision} of the individual capitalist; his recantation thus encourages the view that wages, rather than being determined by real factors is instead determined by the arbitrary whim of a capitalist. Again, this is of a piece with Mill’s increasingly fractured view of political economy – with production governed by natural laws and distribution governed by little more than social construction.\textsuperscript{lxix}

The wages-fund recantation appears to bear a direct connection to the motivation behind separating production and distribution. If distribution is socially malleable, then regarding wages as partly determined by the mere whim of the capitalist is a natural position to take. If one did not separate production and distribution as Mill did, she might see the capitalist’s hand as forced to a greater degree. This is perhaps a primary and direct
connection between changes in Mill’s economic methodology and changes in his political theory. Of course, the direction of influence is unclear. Perhaps both Mill’s production-distribution distinctions and his recantation of the wages-fund were caused by some third factor or perhaps they had different causes altogether. But it looks there is a case for a plausible chain of influence from the distinctions Mill made in economic methodology to his concrete policy views and his views about economic justice.

What’s most important for our purposes is to show a plausible connection between Mill’s economic methodology generally and his production-distribution distinctions specifically and his political theory. I believe the evidence on the table is at least sufficient to warrant further study.

Section V: Conclusion

I have aimed in the foregoing to secure a connection between Mill’s political positions and his production-distribution distinctions. In general, the two distinctions allow one to move fairly far in the direction of contemporary theories of distributive justice that heavily emphasize the distribution of wealth, sometimes to the extent of making it the focus of the theory of justice.\textsuperscript{xc}

I believe that Mill’s distinction matters for more than Mill scholarship, though. Mill shows that what we think about economic reality can impact what we think about justice in subtle ways. After all, our conception of the relation between fundamental economic concepts, like production and distribution, shape the questions we ask. For instance, if production is largely determined and distribution more subject to choice, then the ethical questions we ask may concern distribution rather than production.
Investigating one’s economic ideas may prove important to the development of the modern political philosopher; it may change the philosophical territory in ways we don’t yet understand. For instance, economics has developed a great deal since Mill’s time. We have reason to believe that the motives Mill had for the developments we’ve discussed were based on false perceptions. For instance, economic production mattered far more to our time than Mill thought it would. Perhaps we have reason to believe that increasing economic production will continue to be an important anti-poverty tool. One thing that political economy, particularly public choice economics has taught us is that distribution is less socially malleable than we thought, and that economic forces operate as forcefully within the realm of distribution as they do within the realm of production. Government employees tend to act on their self-interest, even when they operate distributive systems. Further, the great changes in productive relations over the last 150 years should lead us to believe that production may be more malleable than we thought. We’ve found that our systems of production can adjust to a demand for greater leisure time, and greater demands placed on them by concerns for labor and the environment. What’s more, the economic effects of certain modes of production apparently vary greatly across cultures. xci

Given this, perhaps Mill was in error to separate production and distribution. But this raises important questions: What would modern theories of justice look like if that separation had not occurred? What would a theory of justice that united production and distribution look like? Would it be importantly different from the modern egalitarian liberalism of the Rawlsian era?
These last comments are speculative. But I do not present this material merely to chronicle Mill’s developments within economics and political theory. I do so in part to argue that the economic narrative we pick up from other disciplines may carry with it doctrines that seep into our theories of justice. The economic context of justice may matter more than we’ve thought. Making clear how that context affected one of history’s most famous liberals, I hope, will communicate the importance of examining our inherited economic narrative.

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We will see that this statement must be qualified below.


Cf. Ibid., I.8, 19-21.


Mill argued that his mental breakdown was remedied in part by his discovery of romantic poets, many of whom were critical of political economy. Cf. De Marchi (1974) for a detailed analysis of the connection.

One should note, however, that Mill still bore in mind the consequences redistribution could have on production. See Mill, J. S. *The Collected Works of John Stuart Mill*. Edited by John M. Robson. General ed. Toronto: University of Toronto P, 1963, V. 3, Bk. IV 755. Mill comments that ‘leveling institutions’ cannot permanently decrease poverty. I will discuss this passage in detail below.


Ibid.


Of course, the influence of Thomas Malthus cannot be overlooked here. Malthusian views about population importantly influenced the classical economists, including Mill. But we can set this issue aside, as it is not Mill’s major criticism. Mill defends Malthus’ influence at Ibid., V. II, 753.
xxxv Ibid.


xxxvii Ibid.

xxxviii Ibid, 755.


xl Ibid, 406.


Mill, V. XXII, 249.

Ibid., V. XII, 322.

Ibid., V. I, 256.

Ibid. Note that this reference indicates that Mill was thinking about the matter of production and distribution in much the same way from an early age, contradicting at least somewhat what he says about Harriet Taylor’s influence.


Ibid., V. VIII, 904.

Hollander notes that Mill gives a weaker statement in his Preliminary Remarks, where he claims that “governments or nations can in some measure determine what institutions shall be established”. Yet the phrase appears only in the manuscript version and first two editions. Hollander, Samuel. The Economics of John Stuart Mill. Vol. 1. Toronto: University of Toronto P, 1985, 2. For more, see 222.


Mill, V. II, Bk. II, 208.

Of course, Mill is not distinguished from Marxists by his support of worker cooperatives. Ibid., V. V, 703.


lix Specifically, Toynbee’s “fourth stage” above is the fourth stage of scientific and ethical thinking about the impact of the industrial revolution. It’s also worth mentioning that his “third stage” was unleashed by Ricardo, who attempted to discover the laws of distribution. Toynbee, Arnold. *Lectures On The Industrial Revolution in England*. Whitefish, Montana: Kessinger Publishing, 2004, 45.


It’s interesting to read the rest of the passage, where Marshall actually names people who express this new view: “Not to mention writers yet living, the new temper is shown in Cliffe Leslie’s historical inquiries and in the many-sided work of Bagehot, Cairnes, Toynbee and others; but above all in that of Jevons, which has secured a permanent and notable place in economic history by its rare combination of many various qualities of the highest order.” Ibid., App. B. 31.

It needs to be said, however, that Marshall did not wholeheartedly embrace Mill’s view. Marshall: “In doing this [separating the laws of production, distribution and exchange] he allowed his zeal for giving a more human tone to economics to get the better of his judgment, and to hurry him on to work with an incomplete analysis.” Ibid., App. J. 5.


Ibid.


Some might find it interesting the influence of many of the figures we’ve been discussing on John Walras. For instance, Rawls cited the influence of Walras on his own work. Cf. Rawls, John. Interview with Samuel R. Aybar, Joshua D.

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**lxvi** Ibid, 5.

**lxvii** It is worth noting that the classical economists were not thereby against labor unions, nor did they think they had even mostly negative effective. McCulloch and Smith both believed that union negotiations could keep wages at their market rate. McCulloch even says that “without the existence either of an open or avowed, or of a tacit and real combination, workmen would not be able to obtain a rise of wages by their own exertions, but would be left to depend on the competition of their masters” (ibid, 79).


Forgive me if I haven’t a clue how to adjudicate between views.

Mill, CWJSM, v. 16, 1130.

In a letter to Cairnes in April 1869, Mill wrote that the wages-fund was “a subject on which I have expressed myself in my Political Economy as inaccurately as other people, and which I have only within the last two or three years seen in its proper light. Cf. CWJSM, 17, 1587, emphasis added.

“… there is an impassable limit to the amount which can be so expended; it cannot exceed the aggregate means of the employing classes. It cannot come up to those means; for the employers have also to maintain themselves and their families. But short of this limit, it [the wages-fund] is not, in any sense of the word, a fixed amount” Cf. Mill, Thornton on labour and its claims, Part I’, CWJSM, 5, 1967: 666.

For the argument, see Ibid, 632-668.

Donoghue (1997) takes this as evidence that Mill never wholly recanted the wages-fund doctrine. The modified passage can be found in CWJSM, 3, 1967: 929-930. Donoghue compares this with the statement of the passage from the previous six versions. Mill appears to move from the classical position to a moderately pro-labor position. He certainly does not come out swinging for labor.


Ekelund, 1976, 82.

Sidgwick’s reaction to Mill’s recantation is interesting; he comments that “In 1871, however, these halcyon days of Political Economy had passed away. Their
termination was of course not abrupt; but so far as any date can be fixed for it, I should place it at the appearance of Mill’s note of Thornton’s book *On Labour* in the *Fortnightly Review* of March, 1869.” Sidgwick, Henry. *The Principles of Political Economy*. London: Macmillan, 4. Sidgwick thought that Mill’s recantation, while influential, was largely fallacious.

xc For examples of these theories, see ft. 1. For criticism of these theories, see ft. 54.