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Working Paper No. 25, On the Importance of Contributions by Robert Torrens

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Abstract: This inquiry seeks to establish that although hardly recognized, Robert Torrens' contributions prove significant and also provided bases for advances later credited to David Ricardo. In his first published work, *An Essay on the External Corn Trade* [1815], Torrens discusses at length the negative consequences of Britain's Corn Laws, based upon the practice of restricting foreign corn imports. Through this prescient work, Torrens should be considered as the first to advance several concepts and principles that prove foundational for classical economic thought. Though attributed to David Ricardo, the principle of comparative advantage was actually first described by Torrens and another unknown author. Torrens also offered insights into theories of rent well prior to Ricardo. In addition, Torrens' influences on Ricardo's understanding of a natural wage must also be noted. Though Ricardo attributes a section of his work to Torrens, it shall be argued that Ricardo tends to downplay the degrees to which he relies upon Torrens' advances.

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This inquiry seeks to establish that although hardly known in the literature, Robert Torrens' contributions are significant. He wrote contemporaneously with and belonged to the classical political economy thinkers, having ideas most similar to Thomas Robert Malthus and David Ricardo. In various ways, it can be argued that Torrens' writing either influenced Ricardo or that Torrens should be given the designation as an independent discoverer of several economic theories. In three parts we shall investigate the significant contributions of Torrens in the economics discipline. The theories of comparative advantage, rent, and the natural wage will be analyzed and compared to other authors where appropriate. The reader shall gain from the present work a newfound appreciation for a neglected economist as well as a retelling of the history most commonly taught in undergraduate economics courses today.

Comparative Advantage

Robert Torrens' conception of the principle of comparative advantage is undoubtedly rudimentary. He presents his ideas in *An Essay on the External Corn Trade* [1815] which was the first published work with a known author to discuss the idea of comparative advantage. This may come as a surprise to the learned reader, as David Ricardo is usually credited with the discovery. However, through this exposition, it is hoped that the true claimant to this title is found. Throughout the text, Torrens argues for the free international trade of corn and comes to lay the foundation for comparative advantage.

Many sections in the book discuss absolute advantage, though not labeled as such, giving us a starting point for analyzing Torrens' thinking. Torrens (1815, 41-42) articulates that when home production uses labor and capital, goods can be exchanged for another country's goods; moreover, they may be of better quality or abundance using the exact same amount of inputs as the goods made at home. Getting closer to the topic of interest, Torrens (1815, 42) considers the exchange of agricultural produce for cloth from abroad. Employing labor and capital on the soil can produce enough to trade for a thousand units of foreign cloth, but using the same inputs at home will only produce nine hundred. Torrens argues it is evident then, that directing these said inputs towards domestic cultivation and exchanging it for foreign manufacturers, the country gains a hundred units of cloth and the country is enriched on account of this trade, not impoverished.

The core of Torrens' notion of comparative advantage comes from a single passage towards the end of the *External Corn Trade*. Torrens (1815, 263-264) notes that if the English corn growing industry focuses on profitability, inputs shall be employed growing corn at home, instead of bringing it from Poland where there is greater expense in carriage. This conclusion seems natural, and at first sight apparent, but is fundamentally erroneous. Further postulating, Torrens supposes that if an English manufacturer prepares a quantity of cloth—in which a Polish grower gives a higher amount of corn—the English businessman could decide to instead raise the corn domestically themselves. Though the tracts of land in each country should be equal, Torrens claims that even though England's land *should be superior* to Poland's, the domestically produced crops will be ignored. A portion of England's supply of corn will continue its importation from Poland. The capital used in home cultivation may bring excess profits over the capital employed abroad, but the capital should be employed in manufacturing to obtain an even more significant excess of profit.

What does this mysterious passage just presented illustrate? The majority of Torrens' writing discusses absolute advantage, but in this section, a sound conception of comparative advantage is demonstrated. Initially, Torrens (1815, 263-264) discusses that companies focusing on profits should grow corn domestically rather than import from abroad. It intuitively makes sense but through further explanation proves incorrect. When considering two countries' output of corn, even though the farmland of England may well be better than Poland's, the focus should be on manufactured goods. England can receive higher profits producing cloth and trading for Polish corn. These statements must be teased out, but they undoubtedly hint at the notion of comparative advantage. Torrens also mentions domestically produced corn shall bring higher profits, with the same capital, as that corn produced outside of the country. However, the capital should be utilized in manufacturing goods domestically for even larger profits. This all but says that trading partners should focus on the good with their respective comparative advantages and then trade for a bilateral surplus.

It is formally and technically correct that Robert Torrens first posited the concept of comparative advantage two years antecedently to David Ricardo. However, the story gets a little more nuanced and requires further study. In the preface of the *External Corn Trade*, Torrens (1815, xiv) writes that the second part of the book, where he discusses comparative advantage, contains arguments based on a pamphlet, entitled *Observations [Considerations] on the Importation of Foreign Corn* [1814]. The pamphlet contains a formulation of comparative advantage at least as discernible as the one found in *External Corn Trade*, and was published one year earlier. The author of this work is unknown, and thus far, only Giancarlo de Vivo in "Robert Torrens as a 'Neglected Economist'" (2010) has linked it with Torrens. The basic argument described by this unknown author (1814, 7-9) is that trade is mutually beneficial, and that accidental circumstances give one country advantages over another. Two countries can exchange manufactures or foodstuffs, which have been produced with relatively less labor and capital, with an evident advantage for both parties.

At this point, hopefully, it has been shown conclusively that David Ricardo was not the first to write about the principle of comparative advantage. Instead, Robert Torrens first formulated a rudimentary version of the idea that underpins international trade theory today. Admittingly, Ricardo's description is fuller and more comprehensible, which is why he is likely attributed with this fundamental principle. It has also been established that there was an earlier author, by one year, who was the first to outline comparative advantage which may have shaped the famous works of Ricardo as well.

Law of Rent

David Ricardo is regarded as the founder of the theory of rent, although both Thomas Robert Malthus and Edward West published works in 1815 discussing land rent and its implications. These authors precede Ricardo's publication of *On the Principles of Political Economy and Taxation* [1817] by two years, where he establishes the theory of rent. Robert Torrens also published the aforementioned work *An Essay on the External Corn Trade* in 1815. It is difficult to ascertain whether Torrens went to publication before the others in the year 1815, but it must undoubtedly be said that Torrens had the simultaneous and independent discovery of the law of rent, alongside Malthus and West. What is shown in the present work is that Torrens relates how land of different qualities earn differential profits and subsequent rents, cementing his claim as one of the founders of the theory of rent.

The first excerpt of the text regarding rent comes about during a discussion of the natural price. Torrens (1815, 60) supposes that if a grower's plot of land is to be sufficiently maintained, an adequate quantity of produce must be used to pay the laborers' wages. What remains after wages are doled out, is the net surplus—or the natural rent for the landowner. Later in the book, challenging the Lords' Committee and their view that restricting the importation of corn will lower corn prices, Torrens (1815, 211) asserts that import restrictions would have the opposite effect. To meet the increased demand of a growing population, cutting off foreign corn supplies only forces usually unprofitable lands into cultivation. These newly tilled lands furnish an adequate profit for the cultivator, but better soils will furnish the proprietor higher rents. In other words, under the government's Corn Laws, the citizens cannot take supplies from abroad and are thus induced into growing more corn in the countryside. These lands were not under tillage before—due to an unprofitable nature—but increased prices now make it worthwhile for the enterprising farmer. The lands are taken under till and the corn is sold in the market, bringing in sufficient proceeds for the farmer. Farmland with better soil already in use now holds the right to comparatively higher output, and when the lease is renewed, correspondingly higher rents.

Another glimpse at Torrens' observations finds that imposing duties on imported corn raises prices. Which in turn, causes more lands to come under tillage, thereby increasing the land proprietor's revenue. Torrens (1815, 219) passionately argues that as corn prices rise, lands of inferior quality—which before could not cover the cost of tillage—now compensate the cultivator the usual rate of profit for his crop. Inferior lands earn the usual rate of profit, and superior lands now provide superior profits. The cultivators of the superior lands can only enjoy their advantage for so long: once the leases are renewed, capitalistic competition will accordingly raise the proprietor's rent until the customary rate of profit is all that is left to the cultivator. Competition tends to equalize profits on stock or land; whatever brings inferior lands under tillage, leads towards increased rents for superior lands. The tenant reaps the reward of increased value during the existing lease, but once the farm in relet, the proceeds boost the proprietor's profits.

It is now that we turn to one of Torrens' most impassioned pleas to stop the restriction on imports, and where his understanding of different grades of soil is demonstrated. Torrens (1815, 255-256) claims that import restrictions, through increases in the price of corn, shall reduce demand for manufactured and agricultural goods. The tariffs from the Corn Laws bring about ruin to the laboring and trading classes of people that can no longer afford a staple in their diet. The citizenry demand domestic corn far less as their incomes fall. The value of the corn becomes too low to compensate the capital and labor forced onto the inferior lands by the initial price increase. As the value of fertile lands falls, cultivators cannot be found to use lands of the third or even second rate quality. Cultivation is limited to land of first-rate quality only. Another passage towards the end of *External Corn Trade* hints again at different quality levels of soil. Soils of third-rate quality require greater quantities of labor and capital to produce the same output as first or second-rate soils, declares Torrens (1815, 325). These higher grades of soil consequently rise in value, affording higher rents. The concept of different grades or qualities of soil underpins the theory of rent.

Now we shall return to Ricardo. Reading the chapter “On Rent” in *Principles* one may find a sense of sameness with the work of Torrens. It is evident that the pair were writing on the same subjects at the same time, using the same classical sources of Smith and Malthus. Ricardo (1817, 54) explains that lands of second-rate quality introduced to cultivation, immediately results in rent paid to lands of first quality; the difference between the quality of lands equals the rent paid to the first. These words resound with Torrens and his work on the corn laws. In this case, it is unlikely that Torrens directly influenced Ricardo, but their work is indeed quite comparable and reaches the same conclusions. Though, Ricardo’s writing has greater applicability to the field of economics in general; Torrens’ singular focus on the import of grain detracts from his conclusions.

The Theory of Natural Wages as Adopted by Ricardo

The theory of natural wages also involves a dispute between the likes of David Ricardo and Robert Torrens. It is true that Ricardo acknowledges the influence of Torrens, though only partially, on the concept of the natural wage in the second edition of *On the Principles of Political Economy and Taxation* [1819]. Ricardo (1819, 90-91) cites Torrens' *External Corn Trade* (1815) to illustrate that the natural price of labor varies from time to time in the same country and is very different across borders. What now must be undertaken is to show that Ricardo was not the original thinker regarding the natural wage. Instead, Robert Torrens developed this line of thinking, and his thoughts were adopted and fully attributed to Ricardo.

Labor acts like any other commodity in the market. Torrens (1815, 62-63) asserts that labor has, like all other goods, a market price and a natural price. Supply and demand dictate the market price of labor. On the other hand, the natural price of labor comes from elsewhere, consisting of the necessary comforts in life. The climate and the habits of a country shape the natural wage, as these are required to support the laborer and his efforts to rear a family—maintaining a constant supply of labor. The worker must normally collect from his labor a sufficient amount of life's necessaries to keep the supply of labor and the demand for labor in balance. A healthy existence is satisfactory, but many other things must be taken into account for the average worker. Men are deterred from getting married unless there is a guarantee that they can maintain the standard of living they now enjoy. Given this supposition, the worker must receive more than what the climate dictates necessary: he succumbs to the desires of a second nature—the habits of the country. There is more to the price of labor than just supply and demand, the wants of men—shaped by the peculiarities of his country—also commit him to do other wants.

The natural wage, as perplexing as it is, must then experience noticeable fluctuation. Torrens (1815, 63-64) further elaborates on these vicissitudes by comparing the wants country by country. Dwellings and garments in one country are needed, but in another are wholly forgotten. The laborers of India work contentedly though only receiving the natural wage, that which could not keep a Russian worker from destitution. Those countries placed in similar climates but with different living habits, usually have variations in the natural price of labor—sometimes as varied as those that come from natural causes. The worker from Ireland raises a family in conditions that would not only dissuade the Englishmen from marriage but force him into additional occupation to support his wife. One might suppose that with capital's introduction into Ireland along with instruction on its use and its "prudential check on marriage," there would be a requisite rise in the natural price of labor on par with the natural price in England. A prudential check on marriage, of course, means actions that delay or stop marriage and subsequent childbearing. It may also be conceived that a series of disasters could damage the industries of England so that the natural wage is lessened relative to its neighboring island. The component of price which climate affects is immovable, but the effects on the habit of living may be changed. The habits of a country change over time slowly as the morals of civilization and institutions churn, affecting a country's prosperity and the prudential check on marriage. Torrens finds that although the natural price of labor varies in differing climates and levels of economic development, it may be considered very close to stationary.

The natural wage is relatively static, but the market price fluctuates continuously. Labor often sells for values deviating considerably from the amount required to sustain a family according to the nature of climate and habit. However, Torrens (1815, 65-66) notes that the market price and natural price of labor mutually influence each other, without a clear way to distinguish the effects. If the market price dips below the natural price, the worker can no longer procure the necessities of life—dictated by climate and habit—to maintain a healthy life, increasing the number of deaths. Subsequently, this scenario renders the maintenance of a family more difficult: raising the prudential check on marriage, and reducing the birth rate. These counteracting forces of birth and death, restore the balance between the market and natural wages. The opposite can also be shown: if market prices rise above the natural wage, the worker and his family enjoy a higher standard of living with reduced deaths. Marriage is encouraged with greater prosperity leading to more births, and by the two counteracting forces in the labor supply, the balance is struck again between the market and natural price of labor.

Coming back to Ricardo, in-depth analysis may find several parallels with Torrens. As commented elsewhere in this work, Ricardo has no doubt greater powers of explanation, and this is showcased in the chapter “On Wages” in the first edition of *Principles*. Reading this chapter carefully, one could surmise that Ricardo (1817, Ch. 5) takes Torrens’ words and alters them just enough to appear original. The arguments defining how the natural and market price of labor differ and adjust back to a state of equilibrium are particularly comparable. Credit is rightly due to Ricardo for writing so intelligibly even if the words may not be entirely original: sometimes the person to first explain an idea in a simple matter may deserve the recognition rather than the discoverer.

Conclusion

This inquiry has sought to establish that although hardly known in the literature, Robert Torrens’ contributions are indeed significant. He should, at the very least, be distinguished as the independent discoverer of the principle of comparative advantage and the law of rent, although as shown, comparative advantage has even more curious origins. Torrens must also be given credit in the arena of the natural wage—his work directly influenced Ricardo. In general, it can be proven that Torrens first wrote in *External Corn Trade* about several key topics that also appeared in Ricardo's *Principles*. The latter is credited with each discovery, and after careful investigation of the two texts, it is clear why that was the case: Ricardo was the superior writer, articulating his words to the nonprofessional reader. Torrens' writing is somewhat cryptic, requiring focus to parse the details of a single sentence that spans half a page. There are clear ties between the two writers—one is lost to time, and the other is known by students of economics around the globe. Ultimately credit is due to another forgotten writer who quietly influenced a seminal thinker.

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