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Author(s): John F. Henry

Source: *Journal of Economic Issues*, Sep., 1999, Vol. 33, No. 3 (Sep., 1999), pp. 609-624
Published by: Taylor & Francis, Ltd.
Stable URL: https://www.jstor.org/stable/4227471

JOURNAL OF ECONOMIC ISSUES
Vol. XXXIII No. 3 September 1999

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John F. Henry

Institutionalists, as well as economists of various heterodox stripes, are familar with the bastardization process as it has been used to defuse (and defame) authoritative individuals who posed a serious challenge to prevailing orthodoxy. Perhaps the best example of this process is the manner in which Keynes's general theory was vulgarized and eventually accommodated to the "neoclassical synthesis." This same tactic, however, has been used to undermine the essential theories (and therefore teachings) of a host of potentially seditious thinkers. Leo Rogin once characterized Jean Baptiste Say's "interpretation" of Adam Smith as follows:

> . . . Say put Smith's theory in order in the same way that a cautious spouse puts her husband's trousers in order when she turns them upside down and empties them of their valuables. It is much safer that way. So Say "purged Smith of 'dangerous thoughts'" [Rogin 1956, 209].

The principal way in which this bastardization process works is, first, to lift the theory out of the specific social context which that theory was attempting to elucidate and which framed that theory; second, to rid the theory of all institutional forms and constraints; and, third, to "convert" the theory into terms acceptable to and understood by conventional (orthodox) thinkers. The theory, in other words, is separated from the specific institutional and social relations of the economy that both prompted and informed that theory and then subjected to analysis and modification as an ideal and abstract structure. In this fashion, *all* theory is placed on the

The author is Professor of Economics, California State University, Sacramento. This paper was prompted by a presentation I made at the Association for Institutionalist Thought meetings held in conjuction with the 39th Annual Conference of the Western Social Sciences Association, April 1997. I thank the Office of the Dean, School of Social Sciences and Interdisciplinary Studies, and the Office of Graduate Studies and Research, CSU Sacramento, for their support. I thank Stephanie Bell, Mayo Turoño, Charles Whalen, Nancy Wulwick, and two referees for most helpful comments. Last, I thank Charlene Heinen for copyediting assistance.

same, non-social, non-historic foundation as that of neoclassical theory and can then be adjusted to accommodate the timeless equilibrium strictures of neoclassicism. It is much safer that way.

Here, I evaluate the standard argument that John Locke provided a theoretical foundation to the eventual development of neoclassical economics, particularly with regard to the relation among property rights, economic behavior, and theory. The extent to which modern neoclassical theory is traceable to Locke is arguable.[1] What is not arguable is that some portion of the argument is claimed to be traceable to Locke, in particular his position on property rights and the relation of such rights to scarcity, efficiency, exchange, and optimizing behavior [see Buchanan 1993; Vaughn 1980].

This paper attempts to (1) specify the neoclassical argument on the formation of property rights; (2) analyze Locke's actual position on this issue; and (3) juxtapose Locke's position to the neoclassical argument, demonstrating the significance of the differences between Locke and the neoclassical position on Locke. Three issues will be emphasized: "embeddedness," the significance of the "waste" (or unappropriated land, excluding the commons) and its relation to exit from markets, and the property rights that are consistent with Locke's general scheme.

Before proceeding, a caveat is in order. In the long-standing debate on "what Locke really said," one finds the "extreme" positions taken by C. B. Macpherson [1962], who sees Locke as the originator of "possessive individualism" and unlimited capitalist appropriation, and James Tully [1980], who portrays Locke as something of an egalitarian. In the "middle" we have the works of Richard Ashcraft [1986], Neal Wood [1984], and Alan Ryan [1984], among a host of others. I am not sufficiently a Locke scholar to participate meaningfully in this debate, and that is not my intent. Ryan's words seem appropriate in this regard, however: "Works outlive their authors, and take on lives their writers might be perturbed to see." And, "to see Locke as no more than an apologist for capitalism is ludicrous; to suggest that wilder minds in other ages would see him as such, and side with him or against him for that reason is not" [Ryan 1984, 4, 48].

I do believe that there are aspects of Locke's general theory that are not contestable, once the context within which they were written is understood, and it is on the basis of these elements that I will make my case. Further, I would argue that Locke's general theory should be seen as a work in progress. Given the period in which he was writing—the post-civil war epoch in England, when a capitalist economy was unfolding and many of its features were still in an embryonic stage of development—it would have been impossible for any theorist, no matter how prescient, to come to a more or less complete understanding of the system he was examining. Wood's characterization of Locke as a theorist of early agricultural captalism seems apt, though one might hold certain reservations about the extent to which Locke understood the fundamental relations characteristic of this stage of capitalist evolution.

Here, my concern is not with a critical evaluation of Locke's general theory, but with the position that he provides an authoritative foundation to the neoclassical theory. As Locke represents authority, and authority is part of the "rhetoric of economics" (and other disciplines), then it is worthwhile to ask the extent to which the neoclassical interpretation of Locke is justified.

The Neoclassical Story Ostensibly Based on Locke

There are variations on the neoclassical theme of the Lockean story. (Perhaps the most imaginative is that of Israel Kirzner, who finds in Locke the basis for the Austrian entrepreneur [Kirzner 1974].) What follows is a truncated version of a more or less standard argument that is familiar to economists and forms the basis of textbook orthodoxy.

Assume a non-propertied society in which rational, self-interested, utility-maximizing individuals seek to advantage themselves. A resource (land) is used in common by all, each of whom is led to use that resource beyond the level that a rational collective decision-making process would promote. As there are no internal costs to the use of the resource (outside of one's own labor), the resource is overused, and each individual imposes external costs on others, leading to the eventual "tragedy of the commons." The solution to this tragedy is to privatize the commons.

With the commons privatized, each utility-maximizing individual has an incentive to use the resource optimally or efficiently, as any inefficiency creates opportunity costs (lost income) for that individual owner only. If one assumes no advantages to specialization, each autarkic household, with its self-contained nonattentuated property right, generates a level of self-sufficient production as determined by an individual calculation of utility gained by the goods consumed relative to the costs associated with the production of those goods. (One could incorporate a factor for "laziness," as this simply means that the individual places a high value on leisure, and the foregone income is then a reflection of the high costs of the work effort.) Aggregate income is greater than in the previous scenario, and everyone is better off. Moreover, each household operates independently and therefore is independent of any social nexus. Each is free of social constraints—the behavior of others—and this independence is often equated with freedom, particularly for the more "libertarian" strand of neoclassicism [Buchanan 1993, 2].

The above scenario is not properly an economy. Only individuals (or families) exist, and there is no interdependence among them. The economy, following Carl Menger's position, *is* the individual [Menger 1963, 194]; or, following Jeremy Bentham, the community is a "fiction," and the interests of the community are nothing more than the aggregation of the interests of the individuals [Bentham 1969, 85-7].

The above model incorporates the neoclassical notion of scarcity. It is assumed that the commons are insufficient to satisfy the demands of individual utility maximizers, and thus land is privatized because it is scarce. But, also, individual property holders must work to produce whatever is required, allocating their individual labor between leisure and effort to allow a level of output that satisfies their utility requirements. Land and labor, then, are the original scarce resources.

The assumption of efficient, self-sufficient production is then dropped. As the full range of increasing returns to scale is not exploited, self-sufficiency connotes opportunity costs in the sense of lost output (income). Rational calculation on the part of each individual leads to specialization and exchange. Because specialization allows economies of scale to be fully exploited, individual production increases; thus, aggregate output grows as well. Each household produces a surplus that will be available for exchange on the assumption that other, like-minded, rational maximizers will also bring their respective surpluses to market. The market, then, is simply the mechanism through which goods are exchanged for goods of different use values. At this point, money is invented to facilitate the exchange of goods in what is essentially a barter economy. Money allows the clumsiness associated with barter to be overridden, reducing the transactions costs associated with exchange.

Entry into exchange is entry into an economy; or, the economy is simply exchange [Jevons 1965, 75]. Individuals now become dependent on the behavior of others, and while this represents a reduction in freedom (as above), the expected increase in income resulting from the gains from trade compensate for the loss. This implies that entry into exchange must be voluntary. If coercion is applied to force entry into exchange relationships, this must mean that the expected increase in income resulting from exchange does not compensate for the loss of independence—or why would a rational individual abstain from exchange?

Now, at some point, this self-ownership, private property, exchange economy must give way to an economy more in accord with that which the neoclassical theory ostensibly explains—a capitalist economy that features a labor market. It is not clear why this form of organization develops, but, whatever the underlying cause, it *is* clear that the decision to sell the property rights to one's own labor must compensate for the loss of non-labor property, and this must be agreed upon by the sellers of that property right or, once again, coercion would enter the picture. Basically, the argument is that as long as markets are organized competitively, the individual is free to sell the use of his or her property right to whomever is willing to pay the highest price for that use. The value of the property right in one's own labor is thus measured by the goods received when that right is exchanged. Under competitive conditions, full value will be received, and this value must be at least equivalent to what one could earn in self-sufficent production: as long as property in one's own labor exists, one has the right to establish an independent production unit or a firm (hiring the property rights of the labor of others). As long as there are many potential buyers and as long as sellers of labor are "free to choose" among such buyers (exiting and entering any particular exchange relationship), and any individual is free to establish a separate firm (if the wage bargain is perceived as unsatisfactory), such individuals are generally protected against unequal exchange.

Locke's Story on Locke

Let us admit that there is something in Locke that is amenable to the neoclassical position. Given my assertion that Locke's theory is a work in progress, differing interpretations can be expected; one of these interpretations has been to cast Locke into a neoclassical framework. "The 'pro-bourgeois' camp is quite right in finding historically new and distinctive elements in Locke's approach, and the 'anti-bourgeois' critics are equally correct in stressing Locke's antipathy to merchants, monied men, and commerce" [Wood 1984, 16]. However, the success of the neoclassical interpretation is based on a reading of Locke that focuses on a few points and, more importantly, lifts those points out of a context that vitiates the neoclassical interpretation because that context violates the neoclassical theoretical standards.

It must be remembered that Locke was a *political* economist (or social theorist). He was forced into exile and mingled with other political outcasts in Holland. As Ashcraft [1986] makes very clear, Locke's writings and activities are firmly enmeshed in the anti-feudal character of the English Civil War and its aftermath. The *Two Treatises of Government* was directed against George Filmer's *Patriarcha*, which attempted to provide a defense of absolute monarchy in general and of Charles I and Charles II in particular. Locke increasingly distanced himself from the Church of England—the leading ideological force of English feudalism (after Henry VIII)—and eventually joined the ranks of those supporting religious dissent and toleration. His defense of property was based on its use by the "Industrious and Rational" against the "fancy or Covetousness of the Quarrelsome and Contentious" [Locke 1967, 309]: i.e., the lords. While clearly representing a section of the agrarian reformers (or "improvers"), much of Locke's argument bears a striking resemblance to that of the Levellers and, in one very important respect, the Diggers (see below).

The first consideration regarding Locke's own theory is that of his position on "moral economy." A recent revival of a long-standing debate in economics contrasts the "embeddedness" and "disembeddedness" views on economic theory. (For a clear, succinct review of this literature, see Granovetter and Swedberg [1992, 1-26] and Granovetter [1992, 53-81].) Without entering the substance of this debate, I simply assert that neoclassical economics attempts to derive arguments based on individual self-interest, rational (maximizing) behavior, and the search for equilibrium [Hahn 1984, 1-3], independent of any underlying set of social relations and institutions.[2] Indeed, there is a long-standing tradition among such economists that ". . . we can only talk sense about economics (by) considering the economic behavior of an isolated individual. Only in that way can we expect to get rid by abstraction of all the social relationships . . ." [Knight 1960, 71].

The neoclassical interpretation of Locke develops, as one would anticipate, along lines that are "formalistic" in that the conclusions regarding efficiency, etc., flow from a logically constructed argument in which self-interested maximizers benefit the larger society (viewed simply as a collection of such individuals) through the acquisition of nonattentuated property rights. For the neoclassical outcome to obtain, Locke's position has to represent a disembedded point of view in which the optimal, equilibrium outcomes are driven by the property rights assigned to self-interested individuals.[3]

But Locke never took this position. Initially, Locke proposes that the state of nature within which people interact is part of a God-created system in which certain moral rules are to be enforced and in which the individual's relationship to God is established [see Tully 1980, 40-2, 58-9]. Whether one takes Locke's God as a metaphor or at face value is not important in this regard. In either case, property rights had to conform to a larger morality that preceded the formation of those rights and was not based on those rights.

> The *State of Nature* has a Law of Nature to govern it, which obliges every one: And Reason, which is that Law, teaches all Mankind . . . that being all equal and independent, no one ought to harm another in his Life, Health, Liberty, or Possession. For Men being all the Workmanship of one Omnipotent, and infinitely wise Maker; All the Servants of one Sovereign Master, sent into the World by his order and about his business, they are his Property, whose Workmanship they are, made to last during his, not one anothers Pleasure [Locke 1967, 289].[4]

What this means for Locke's theory of property rights is significant. As "the Deity is the Great Property Owner" [Ashcraft 1986, 259], and individuals are the stewards of that property, it then becomes possible to define what are *appropriate* uses of property (as they serve God and humans in their relation with God) and to establish standards by which to judge how property holders actually use their property. Property holders, in other words, have a moral (or social) obligation that transcends "best use" considerations as determined by markets.

And what is this larger moral or social obligation that property holders must satisfy? According to Locke, God "commanded Man also to labour," and, in obedience to God, humans "subdued, tilled and sowed any part of (land), thereby annexed to it something that was his *Property*, which another had no Title to, nor could without injury take from him" [Locke 1967, 309]. But the amount of property thus owned has limits. Initially, there is a "spoilage" constraint: "The same Law of Nature, that does by this means give us Property, does also *bound* that *Property* too. *God has* *given us all things richly* . . . But how far has he given it us? To *enjoy*. As much as any one can make use of to any advantage of life before it spoils; so much he may by his labour fix a property in" [Locke 1967, 308].

Second, the appropriation of land (property in general) previously held in common could not work to the "prejudice" (disadvantage) of any other person, as it was assumed that "there was still enough, and as good left, and more then the yet unprovided could use" [Locke 1967, 309]: the waste. All have an equal right to subsistence, including a "right to the surplusage" of another's property because natural law "gives every man a title to so much out of another's plenty, as will keep him from extreme want, where he has not means to subsist otherwise" [Locke 1967, 188]. This right to subsistence, according to one Locke authority, is ". . . both a primary rights claim, and a theoretical presupposition underlying any Lockean definition of 'property'" [Ashcraft 1995, 45].

The right to subsistence included the right to seize the property of another if that property was not cultivated or improved so as to benefit the larger society [Locke 1967, 313, 409-10]. In taking this position, where the standard of acceptable behavior was *not* simply acquiring property to use (or not) as one saw fit and allowing markets to judge outcomes, Locke was siding, consciously or not, with the economic program of the Diggers, one of the most revolutionary of the various forces in the English Civil War. The Diggers proposed the seizure of feudal estates that were not under cultivation but were simply being used for the amusements (and status) of the lords, and the distribution of those properties to land-poor peasants who would farm them communally [see Hill 1972, 18; Petegorsky 1940, 163, 204-5]. And while it is quite true that Locke directed harsh words toward the "idle poor," it is equally true that he chastised the idle rich—the large property holders [Wood 1984, 72-92]. For Locke, as for the Diggers, the right to subsistence afforded by honest labor overrode the right to property.[5]

In all respects, Locke supported "honest" or productive labor over mere ownership [Ashcraft 1986, 272]. Locke argues a case for attenuated property rights where the rights of property holders are circumscribed by the rights of the community. Individual property rights are promoted only in so far as those rights promote the use of labor in advancing society's welfare. A *workmanship* ideal is the standard by which property holders are to be judged, and these ". . . rights of workmanship [are situated] in a complex moral scheme that left room for other demands of social justice" [Shapiro 1995, 22].

The above is true even if one takes into consideration his argument on the role of money in the accumulation process [Locke 1967, 317-20].

> But since Gold and Silver, being little useful to the Life of Man in proportion to Food, Rayment, and Carriage, has its *value* only from the consent of Men, whereof Labour yet makes . . . *the measure*, it is plain, that Men have agreed to disproportionate and unequal Possession of the Earth, they having

by a tacit and voluntary consent found out a way, how a man may fairly possess more land than he himself can use the product of, by receiving in exchange for the overplus, Gold and Silver, which may be hoarded up without injury to any one, these metalls not spoileing or decaying in the hands of the possessor. This partage of things, in an inequality of private possessions, men have made practicable out of the bounds of Societie, and without compact, only by putting a value on gold and silver and tacitly agreeing in the use of Money [Locke 1967, 319-20].

The invention of money as a social convention permits accumulation beyond the spoilage limit (as gold and silver do not spoil, unlike corn). But in Locke's scheme, such accumulation is permitted only if there is "no injury to anyone." In the next section, he reiterates his position on labor as the original basis of property in the state of nature and on the limits to appropriation based on spoilage and allowing for others to cultivate unclaimed property.

It seems, then, that Locke is here making a limited case for some amount of inequality in property, though it is neither a developed nor compelling argument. This aside, at no point does he override either his initial conditions for reasonable property rights based on labor or his marked concern for the community's right to subsistence and the community's right to constrain inequality. Accumulation and inequality are permitted within Locke's framework only to the extent that this inequality does not impinge on the right to subsistence.

Within this general theory, then, what are the property rights that best conform to Locke's standard?

A problem exists in specifying Locke's position on the appropriate property rights consonant with his general theory. Initially, in keeping with his argument in which all economic relations are embedded in a larger state of nature, property rights had to conform to a set of moral values initially established by a deity. These moral rules included a right to subsistence and a proviso that the appropriators of property had to allow for the continued existence of waste (or unappropriated land) that could be claimed by another. This would imply that the appropriate property rights are those consistent with a petty mode of production in which individual proprietors (farmers, artisans) would enjoy title to productive property and to the product of that property but where wage labor could not develop. For, if the claims on property by some do not prohibit claims by others, why would wage labor exist? Potential workers could simply claim unused land unless they were coerced into working for others—and Locke rules out coercion in his standard for the formation of civil (propertied) society [Locke 1967, 340 ff].[6]

But Locke does seem to be clear in specifying the existence of wage labor in his often quoted passage on the master's relationship to his servant and horse:

Thus the Grass my Horse has bit; the Turfs my Servant has cut; and the Ore I have digg'd in any place where I have a right to them in common with oth-

> ers, become my *Property*, without the assignation or consent of any body. The *labour* that was mine, removing them out of that common state they were in, hath *fixed* my *Property* in them [Locke 1967, 307].

It is this passage around which the debate on Lockean property rights centers.

During the period in which Locke wrote, wage labor, while certainly extant, had not yet crystallized as the dominant form of labor relationship we are now accustomed to in modern capitalist economies. Rather, various forms of labor existed, running the gamut from indentured servitude to independent craft production. Indeed, when Locke lists examples of labor [see Locke 1967, 316], his examples could all be associated with independent craft producers or representatives of various contract workers who still had some semblance of independence but were certainly not wage laborers during the time Locke wrote—plowman, baker, stone mason, carpenter, rope maker, and the like. Labor appears to be used generically, rather than as a classification of a class of people who live by selling their skills for a wage. Petty production, then, which is not based on wage labor (though where wage labor could exist), would be consistent with Locke's general position on legitimate claims to property within the larger, embedded nature of the economy where moral rights supersede property rights.

At the same time, it is true that Locke recognized as legitimate the master-servant relationship, and he saw this relationship as part of natural history:

> *Master* and *Servant* are Names as old as History, but given to those of far different condition; for a Free-man makes himself a Servant to another, by selling him for a certain time, the Service he undertakes to do, in exchange for Wages he is to receive; And though this commonly puts him into the Family of his Master, and under the ordinary Discipline thereof; yet it gives the Master but a Temporary Power over him, and no greater, than what is contained in the Contract between 'em [Locke 1967, 340].

But "servant" is not to be equated with "wage laborer." Tully's argument in which the master-servant relationship would have been seen as preceding and independent of capitalism seems appropriate in Locke's context. Again, at this point in history, it would have been impossible for Locke to "see" how the new relationships would unfold. So, he would have drawn on social practices that were more familiar [see Tully 1980, 136-9].

Further, though Locke mentions here a wage based on contract, this relationship is not developed in *The Second Treatise* and is not integral to the story told by Locke. As this relationship is as "old as history," it is clear that Locke cannot (or is not) distinguish(ing) wage labor from any other non-slave contractural labor relationship in which a payment is made for services rendered. Contract labor existed prior to and after Locke's time, and it is not to be equated with wage labor. Indeed, when Locke does bring the servant into the argument, he usually "make[s] it clear that . . . he probably had in mind the 'living-in servant,' either in husbandry or the domestic" [Wood 1984, 87].[7]

Because Locke leaves the wage labor category undeveloped, I contend that the property right he had in mind when arguing his case was that relevant to petty production, where the individual proprietor was protected by a larger moral claim on society. This would be in keeping with a functioning "peasant society" [see Hoppe and Langton 1994]. However, as he was theorizing (and proposing policy) at the time of the cusp of capitalist development—and supporting this form of economic organization against feudal property—he most likely would have supported *small-scale* capitalist appropriation—as long as the wage laborer would continue to have a moral claim on subsistence at least equal to that which could be acquired by his labor to unclaimed waste. That is, the minimum wage would be equal to the output generated by "self-ownership."[8]

Are Neoclassicists Lockean?

As stated above, there are certainly superficial similarities between the arguments of Locke and those of neoclassicists. However, there are two fundamental differences between the Lockean and neoclassical arguments, and these differences invalidate the claim that Locke provides a foundation to neoclassical theory.

Initially, for neoclassical theory to reach its optimizing, equilibrium outcomes, economic agents must be seen as individualized maximizing (utility or wealth) agents, undertaking decisions and actions that are based solely on those individualized maximizing bases. The claim, of course, is that the result of such actions is (usually) to produce an outcome in which all are advantaged as much as possible, given contraints. The property rights system consistent with this argument is a regime of private rights:

> The desirability of having an operable cost-benefit confrontation, especially one that is consistent with a goal many value highly—individual freedom—argues strongly for a *prima facie* solution based on private property rights . . . [Demsetz 1982, 46].

Given private property, individual holders of property rights make decisions based on "best use" (utility maximization) calculations in which ". . . the owner expects the community to prevent others from interfering with his actions, provided that these actions are not prohibited in the specifications of his rights" [Demsetz 1967, 347]. Granted, one is not allowed to engage in murder to advantage herself, but once the "laws, customs, and mores of a society" are established, the free play of competing interests generates movement that (generally) results in the familiar equilibrium outcomes.

These outcomes can only obtain *if* individuals are free to base their actions on self-interests. Property holders who base their decisions on other than narrow self-interest produce suboptimal results that damage not only their own interests, but also the interests of others, including (or particularly) the interests of those whom they were attempting to assist when they acted in the larger "social" interest. Thus, for example, corporations who operate on the basis of "social conscience" not only violate the objective desires of the ultimate owners—stockholders—but inevitably cause dislocations in the economy, resulting in product shortages, unemployment, and the like [Friedman 1972, 177-84].

Neoclassicism represents a "disembedded" perspective in which economic laws stand apart from society and in which there are no social or moral obligations apart from acting in one's self-interest. There is no community in neoclassical theory except as a mere collection of individuals. The theory itself is elevated above and separated from any underlying social relationships or institutions and is portrayed as a body of natural laws that are independent of society [see Henry 1990, 226-34]. It was against such a theoretical view that Veblen and others railed, but it is this view that has prevailed [see Veblen 1961].

But this is not Locke's view. There is nothing in Locke's writings that would cause one to believe that activities based on self-interested, best-use calculations would result in the largest benefit to society. Were this Locke's position, there would be no need for his almost constant reminders that property rights had to conform to a larger morality that existed prior to the formation of such rights. Society can decide appropriate use of property, and individuals have an obligation to ensure that their actions do not jeopardize the rights of others to subsistence. The community (or members thereof) have a right to seize property (command income) if property holders are not acting in the interests of the larger whole. Lockean property holders must have a social conscience and base their actions on that conscience.

Second, we do see a certain conformity between Locke's property holders and those of neoclassicism, but this similarity actually undermines the neoclassical claim to explanatory power. As argued above, Locke was developing his general theory in a historical context *before* the full-fledged development of a capitalist economy. The property rights most appropriate to Locke's story are those of a "peasant economy," in which the individualized property rights suitable to independent farmers and craft producers do prevail, but again, only within the larger "moral" economy. While this is not generally recognized [see, e.g., Heinsohn and Steiger 1983; Minsky 1982; Wray 1993], it is this same peasant economy that lies at the base of neoclassical theory (though without the moral claims of the larger society). The neoclassical story begins with independent producers who engage in barter and then "invent" money as a medium to solve the problem of "double coincidence of wants."

However, while one can reasonably argue that such rights are to some extent consistent with a capitalist economy in its early stages of development, it is not reasonable to so argue when attempting to frame theory that purportedly explains capitalist economic relations proper—particularly after the industrial revolution, the period in which neoclassical theory began to unfold.

For the Lockean argument to hold, individuals must have the right to establish themselves as independent proprietors: when the commons is privatized, the appropriation of land must not "prejudice" any individual, for there must be enough equally good land for others to appropriate as they so choose. That is, in neoclassical terms, one must have the right to exit not just one market and enter another (a right usually assigned to the "entrepreneur"), but to exit markets altogether—if, in the subjective appraisal of the individual (the utility calculation), that individual would be better served through independent production.

In the neoclassical story, wage labor constitutes just another market, similar to product markets, and individuals must voluntarily choose (as in product markets) to sell their labor services to whomever wishes to buy them. If we assume full employment and flexible prices (wages), all those who wish to sell their skills will find a buyer at a wage that clears the market, and this wage will equal the value of the workers' marginal product and will represent the share of labor in aggregate income. (This relationship is what Keynes [1979, 66-7] referred to as a "co-operative" economy, which he clearly distinguished from a capitalist or monetary economy.) This equilibrating process must be undertaken on a non-coercive basis. Should the seller of skills believe that the wage bargain is disadvantageous (the price commanded is too low), that individual will not enter this market. But this requires that one must have an option, and that option can only be independent production.

Now, we do observe some individuals establishing individual proprietorships (cafes and the like), rather than entering the labor market, but, technically, the establishment of such firms is illegitimate from the perspective of Locke's theory: individuals must be free of *all* exchange relationships and that requires independent production and consumption arrangements. Further, even if one were to ignore this technicality, while the neoclassical variant may hold at the individual level, it cannot hold at the aggregate level. If *all* potential workers were to establish such "firms," capitalism could not exist.

Capitalism requires a labor market for its very existence. Product markets predate capitalism by thousands of years (though such markets should not be seen as equivalent to superficially similar markets under capitalism). If, however, the market is to be the regulator of exchange (unlike pre-capitalist markets), labor itself must be subject to market relationships. It is theoretically impossible to allow consumption goods to exchange at market prices if labor itself is not priced. For example, labor that is guaranteed a subsistence, or labor that is independently self-sufficient (our hypothetical peasant) would disrupt the pricing mechanism that ostensibly governs the exchange of all commodities. It is simply impossible (and a violation of neoclassical equilibrium strictures) to price wage goods and have no market in which to sell such goods. Labor, then, must be forced to sell its services for a price to allow those goods destined for the laborer to be sold, i.e., for the neoclassical exchange relationships to hold. If labor must be denied the right to subsistence and the right to seize "waste" to establish independent proprietorships, the Lockean conditions are abrogated. (See McNally [1993] for a fairly full treatment of the necessity for a labor market and for an analysis of early, proto-neoclassical economists' concerns for the need to coerce labor to sell its services.)

Further, in order to sell labor services, there must be a demand for those services. On the demand side, there must exist—prior to the point of purchase—property holders who command more property than they can efficiently operate with their own labor. Following Locke, the neoclassical standard rests (usually tacitly) on an egalitarian or non-privileged initial distribution of property [see Usher 1981, 90-104]. However, a labor market requires that the proto-laborer choose to sell his or her skills (rather than the output produced through those skills in an independent production unit); someone, then, must stand ready to buy them. The property holder must obviously have a use for those skills, and this can be the case only if the property on which that labor is to be applied is useless without that application—an amount of property that violates the initial conditions upon which the neoclassical standards of efficiency and equity rest. The Lockean standard for property holding must have already been breached *prior* to the formation of a labor market: the formation of a labor market cannot be the result of petty property holders voluntarily deciding to abandon their holdings and selling their labor services, rather than use those same services to produce and sell a product.

Conclusion

The issue here is the relationship between the development of general theory by a clearly dominant figure, writing at a particular historic juncture, and the general theory of a body of economists writing at a quite different time and facing a different set of economic relationships. The claim that the roots of their theory are found in Locke provides some degree of credibility to the intellectual enterprise of the neoclassicals. Locke, after all, was influential in freeing thought from earlier constraints and in laying out an ideological program so important for subsequent political developments. Continuity with Locke, then, provides support for claims—intellectual as well as practical—regarding more recent theory.

Yet a critical comparison of Locke and neoclassicism finds this claim of succession unsupportable. Certainly there is a superficial relationship between Locke and neoclassicism, but this relationship can be sustained only if Locke is gutted of that which made him authoritative in the first place. Locke's "moral economy" is not an aside. Rather, it is integral to his general theory. His requisite that waste—"enough, and as good"—must exist for the just acquisition of property is central to the argument. And, surely, neoclassical economists do not admit the right to seize property to satisfy subsistence claims, as the establishment of a private property regime benefits all—except for the lazy and shiftless [Buchanan 1993, 54].

If Locke is held to be the foundation of an argument rationalizing various institutional arrangements, then that argument must be consistent with the general theory of Locke himself. Neoclassical theory is not and must, therefore, find some other foundation upon which to stand.

Notes

1. Here I am not concerned with the differences between mainstream neoclassicism and the various theoretical systems that claim to be significant departures from neoclassicism, such as the Austrian, Public Choice, and other branches, including the New Institutionalism. For the purpose at hand, they all share a certain supposed affinity with Locke, and all would claim Locke as an intellectual ancestor.
2. New Institutionalists accept, in the main, the neoclassical, non-social framework, but attempt to derive a theory of institutions from that non-institutionalist framework. That is, rather than institutions lying at the base of the theoretical explanation and providing constraints, etc., within which theory develops, the theory and analysis of institutions follow from a theory that is itself devoid of institutionalist foundations [see Dugger 1996; Langlois 1989].
3. A disembedded position—one that denies the very existence of society beyond a mere collection of individuals who meet in order to exchange—necessarily leads to the individualist foundation of neoclassical theory. Social relations and institutions exist only as a product of self-interested behavior or are introduced in *deus ex machina* form as needed to make the argument convincing.
4. All references to Locke's *Two Treatises* are from the Laslett edition (1967), and only page numbers are cited.
5. Granted, the Diggers went further than Locke in their position on landed property, arguing that land should never enter market arrangements.
6. A neoclassical response to this point would be that if the wage were relatively more attractive than the income produced through individual proprietorship, self-interested utility maximizers would voluntarily seek a position as wage laborers, rather than as independent producers. This is a legitimate position from a neoclassical perspective. However, to test this claim, "waste" must exist, and proto-workers must have the right to claim these resources not just at the individual level, but in the aggregate (see below). Historically, peasant farmers were driven into a relationship where they were forced to sell their labor because they were dispossessed of access to waste lands, a development that peasants actively resisted [see Hoppe and Langton 1994, 21-38].
7. Here, some commentators go too far. Wood, e.g., argues that it makes no difference if the laborer was a servant in the traditional sense or a wage earner in the modern sense as both receive a wage [Wood 1984, 87-92]. This, I believe, misses an essential point in Locke's analysis that is conditional upon the time in which he was writing. What is being witnessed is a *process* by which servants and other laborers were being transformed into modern workers. While the *form* of payment appears to be the same, the social *substance* of the payment is quite different in these categories.
8. This is not an argument that Locke was a social or economic egalitarian (as Tully claims). The minimum wage could be quite low as long as it was sufficient to provide subsistence to the individual.

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