

## J. S. Mill's Analysis of the Firm and Association : Taking Hints from Babbage's Assertions

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John Stuart Mill was strongly influenced by Charles Babbage in his analysis of the firm. However, research has not yet fully clarified the relationship between Mill and Babbage. The purpose of this paper is to point out features of Mill's thought on management through a contrast with Babbage's analysis of the company.

When Mill made his analysis of the firm, he applied to it his own original perspective and ideas, while drawing on what he learned from Babbage. First, he attempted to demonstrate that an administrator's management capability and efforts created a difference in profits through "wages of superintendence," which was one component profit. Second, in evaluating the appropriateness of introducing limited liability, he not only looked at the issue of creditor protection but also consid-

ered the promotion of the establishment of associations. Third, he showed that cooperation was a factor that could lead to increases in the efficiency of an organization. Since humans have an innate desire to be in unity with our fellow creatures, we have an inherent capability for cooperation. However, in order to strengthen this capability, activities must be carried out in an association, the locus for independent workers to pursue profit of the whole based on their own judgments. Unlike Babbage, Mill believed it indispensable that independent individuals cultivate their humanity through cooperation. It is likely that on this point, he did not easily accept Babbage's approach, which was based on ideas of scientific management.

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