

Takuya Hatori on the Study of Classical Economics

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Abstract:

This paper seeks to examine Takuya Hatori's research on classical economics, clarify his main findings, and appraise their intellectual and historical significance. Hatori's personal history as a scholar of classical economics was largely divided into two periods based on the differences in the objects, methods, and results of his study. In the first half of his research activities, he addressed the problem of the relation between bourgeois revolution and mercantilist economics to illuminate the historical meanings of classical economics. Following Yoshihiko Uchida's suggestions, Hatori grasped the mercantilist period in England after the Glorious Revolution of 1688 as a kind of social and political crisis of the country and identified the role of Adam Smith's economics as presenting the solution to this crisis. Hatori went on to focus on the classical theories of capital accumulation and argued that classical economics was formed historically with economists' visions growing and changing by way of recognizing the civil and civilized development of the capitalist economy.

In the latter half of his life, Hatori devoted himself to analyzing the theories of classical economics. He spoke of "a working hypothesis which should be positioned as the starting point for our work" and claimed that classical economists presupposed "pure capitalism" when formulating and presenting their economic theories. According to Hatori, Smith, Malthus, and Ricardo all struggled to solve "fundamental problems" owing to this supposition about pure capitalism. In his study of Ricardo's theory, Hatori argued that Ricardo maintained the theory of absolute value and grasped rent as a nominal value. Indeed, through a detailed investigation of the documents in the Works of Ricardo, Hatori may have even become the first scholar in the world to criticize Piero Sraffa's interpretation of the corn-ratio theory.

It is difficult to speculate as to why Hatori, in the latter half of his career, changed his approach to the study of classical economics. It appears that he gradually liberated himself from the influence of Uchida and felt more affinity with the economics of Kozo Uno. As the background of intellectual change, we might refer first to the success of Japanese capitalism without realizing the ideal of "civil society" and second to the "student protests" in the late 1960s.

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I Bourgeois Revolution and Capital Accumulation

1. From Japanese Economic History to Classical Economics

Before becoming a full-fledged historian of classical economics, Takuya Hatori (1922–2012), a graduate of Keio University, started his academic work from the field of Japanese economic history, and specifically from the history from the end of the Tokugawa era to the Meiji Restoration (1853–68). He published his first book, *Studies on the History of Japanese Modern Society* (*Japanese Modern Society* hereafter), in 1954 as a contribution to some controversies in the field after the Second World War.

One of the controversies was why Meiji-era Japan in Asia where its modernization was late in general, was able to succeed in industrialization in the latter half of the nineteenth century. The predominant scholar in this field, Shiso Hattori (1901–56), argued for a bourgeois development in the last days of the Tokugawa era, which led to the Meiji-era capitalist development (Hattori 1973). Another disputed point concerned the nature of the so-called “parasitic landowner system” as the economic and social base of the Meiji era. According to the Otsuka-School of economic history¹, this was a prevalent system as the basis of absolutism that appeared in the transition process from feudalism to capitalism.

Against these prevailing theories, Hatori emphasized that Meiji-era Japan could not realize modernization on a popular basis. First, he revealed the feudalistic nature of the Movement for Citizens’ Rights and Freedom, which was known for its struggle against the Meiji government. Although the predominant opinion had a high opinion of the movement as representing the consciousness of rising petit bourgeoisie and, in particular, of middle-class farmers, Hatori analyzed historical materials and found that the movement was supported by wealthy farmers who had subjugated tenant farmers through controlling their personal freedom. As for the structure and nature of the parasitic landowner system in the Meiji era, Hatori emphasized the special nature of the Japanese system, which was not based on a contract-relationship and was governed by a tenancy system and a personal connection.

According to Hatori, Japanese society from the last days of the Tokugawa shogunate to the Meiji era was a special type of capitalism that was deeply regulated by village communities. Hatori’s stance on the so-called “Japanese Capitalism Controversy” that arose before the Second World War, was consistent

1 Hatori mentioned Hisao Otsuka (1907–96), Kohachiro Takahashi (1912–82), and Tomoo Matsuda (1911–95) (Hatori 1954, 130).

with the “Koza-ha (Lectures School).” However, he was probably more radical in emphasizing the feudalistic elements of Japanese society. Realizing the differences between prevailing theories and his own opinion, Hatori seemed to recognize necessity to reexamine existent studies of Western economic history, which he presupposed as a standard for reference in his study of Japanese modern history.

2. Bourgeois Revolution and Adam Smith

In order to reexamine the studies of Western economic history, Hatori chose to study classical economics in Britain. Why did he not choose economic history directly? In a postscript to his second book, *A Development of Bourgeois Revolution Thought* (*Bourgeois Revolution* hereafter), he stated that while it is obvious that the study of economic history is the basis to grasp history in its totality, the study of social thought, like economics, has distinctive significance as a moment of the whole body of history. He stated “I tried to understand the social thoughts as ‘a mediating moment’ which motivated a particular class to a particular political action” (Hatori 1957, 326). This, we believe, is his critical consciousness that the previous social sciences forgot the significance of the moments of human agency in history and the role of social thought that motivates such moments. We should remember that Hatori began his study of Japanese economic history from focusing on the nature of the Movement for Citizens’ Rights and Freedom.

For the purpose of ascertaining the original nature of modern social thought in Britain, *Bourgeois Revolution* examined, first, John Locke (1632–1704), who apologized for the Glorious Revolution. Locke displayed dual logic in his theory of state. Locke advocated, on the one hand, “the logic of Bourgeois Revolution” that the state should aim to protect private property and, if it failed in this duty, people would have the right of resistance. On the other hand, Lock admitted “the logic of nationalism” through which the state should defend the nation from foreign countries and institute mercantilist regulations for the public benefit. In addition, Hatori pointed out that Locke’s dual logic was also found in his theory of economics as expressed in the tension between the principle of laissez-faire and the mercantilist control of the balance of trade. Hatori argued that this dual logic in Locke was the dualism of the mercantilist system itself and both could coexist from the start without any contradiction.

However, with vigorous capitalist developments under way in eighteenth-century Britain, industrial capital had increased in strength and, as a result, the conflicts in this dual logic surfaced and the mercantilist system was driven to collapse. In *Bourgeois Revolution*, those conflicts were investigated from two perspectives. First is the controversy about the theory of “free” trade

that appeared to oppose the protectionist policy of mercantilism. Noboru Kobayashi's highly influential interpretation contended that David Hume (1711–76), Josiah Tucker (1713–99), and Adam Smith (1723–90) were successive theorists of free trade as the representative of industrial capital (Kobayashi 1955, 25). Against it, Hatori emphasized the different nature of Smith's position. It is true that Hume, using the quantity theory of money, criticized the pursuit of the particular balance of trade. However, Hatori argued, Hume did not necessarily deny the positive effects of a trade surplus on the ground that increasing quantities of money would lead to a growing population and industry in the country. Hatori concluded that the free trade theory of Hume was essentially mercantilist and differed from Smith's theory of free trade.

Second, Hatori remarked on the controversy on population. With a primitive accumulation of capital in seventeenth and eighteenth century Britain, polarization of middle-class producers was under way. The controversy on population began as early as the 1750s between Hume and Robert Wallace (1697–1771). Wallace considered it necessary to maintain the industry of small class producers by dividing land equally. On the other hand, Hume argued that the wealth and population of people might increase in the age of luxury and commerce. Although Hume did not refer directly to enclosure, Hatori concluded that Hume observed positively the process of plunder of land from small farmers.

Smith had endeavored to build his own economics. In the third book of *The Wealth of Nations*, in which he discussed the natural progress of opulence, Smith directly referred to aspects of these controversies and recognized that “securing the rights of property and cultivation in the hands of small farmers as direct producers is the starting point for natural progress of opulence” (Hatori 1957, 205). According to Smith, as the small farmer could secure the fruits of his labor, so he endeavored to work hard and save and accumulate in order to raise his social status. The reason the development of wealth in England progressed faster than that of other European countries is that the “yeoman has always been respected in England.” Hatori concluded that Smith's theory was in line with the radical demolition of mercantilism and the establishment of the capital-labor relation, while the theories of Hume and Josiah Tucker were proposals for reform within the framework of mercantilism.

Bourgeois Revolution was written under the strong influence of *The Birth of Economics*, published by Yoshihiko Uchida (1913–89) in 1953. Uchida impacted on the postwar academic sphere of the history of economic thought and generated many sympathizers including Hatori himself. Uchida did so by demonstrating clearly the close connection between ethics and economics in Smith; finding a considerable similarity between the opposition to mercantilism by Smith and the criticism of civilization by Rousseau with regard to the crisis

under the war between England and France in the middle of the eighteenth century; and contending that Smith's economics was based not on the south England, where pre-modern commercial capital survived, but on the north England, where the polarization of independent producers was systematically carried out (Uchida [1953] 1962). Hatori applied these Uchida's contentions to analyzing not only above-mentioned English social thoughts but also Rousseau which was discussed in the last chapter of *Bourgeois Revolution*.

Here, we refer briefly to Hatori's relationship with Otsuka because Hatori began studying the thought of classical economics in order to reexamine the accomplishments of the Otsuka School. While Hatori depended fundamentally on Otsuka's theory concerning English economic history, he first emphasized the significance of the logic of *Bourgeois Revolution*, and second the existence of political conflicts during the collapse of mercantilism. Considering that Otsuka is well-known for emphasizing the significance of the moment of human agency, like the Protestant ethics, at the turning point from feudalism to capitalism, Hatori applied this view to the period of British mercantilism. In short, Hatori pointed out the significance of grasping the development of capitalism not only from the angle of economic history but also from that of the history of civil society.²

II Classical Theory of Capital Accumulation

The ambitious aim of the *Bourgeois Revolution* was to investigate the meaning of bourgeois revolution theory, and to analyze the vision of the classical economists. Concerning past studies on classical economics in Japan, Uchida clearly pointed out that there had been a tendency to argue the limits and defects of classical economics compared with later theories and to neglect the original logic of the classical theory. Uchida emphasized the importance of understanding the classical economics as a theoretical representation of the economists' visions or ideas (Uchida [1953] 1962, 33–48). Learning from Uchida, Hatori delved the vision and logic of the classical economists. In addition, Uchida contended that classical economics should be understood not only as a theory for analyzing contemporary economic phenomena to propose policies but also as a “fundamental science of history and society” for clarifying the historical meanings of systems in which people live and reproduce their human relations (ibid.,

² The overview of the *Bourgeois Revolution* in the present section is far from ideal due to the main subject of the paper. In fact, the book guarantees a still enlightening read to modern readers by its historical survey of the dynamic changes of eighteenth-century political and economic discourses covering as widely as James Oswald, Arthur Young, Richard Price and J. J. Rousseau.

19–32). Hatori followed also this Uchida's advice and subsequently published his third book, *Studies on the Classical Theories of Capital Accumulation* (1963, *Capital Accumulation* hereafter).

In this book, Hatori presumed that classical economists represent the contemporary civilized society as people being wealthy, in general. Smith held the view that wealth would spread to people even in the lowest class, although exploitation and inequality would continue to exist. Ricardo (1772–1823) attempted to demonstrate that “the benefits of classes in the capitalist society, mainly capitalists and laborers, would increase mostly in harmony under conditions for rapid growth of capital accumulation” (Hatori 1963, 85). According to Hatori, Malthus (1766–1834) differed from Smith and Ricardo by contending that state interference was necessary for an economy, but he “expected harmonious and permanent coexistence between agriculture and the commerce & industry [classes]” (ibid., 277).

Hatori endeavored to understand the classical theories, not from the viewpoint of later theories, but in the relationship of the economists' visions. For example, on the categorical differences between natural, market, and lowest wage rates in Smith's theory, later interpretations considered the natural rate to be the same as the lowest rate. However, Hatori pointed out Smith's acknowledgement that the natural wage rate changes with the stage and movement of capital accumulation, and then, coincides with a “high wage rate” in the advanced stage. As for the relationship between distribution theory and value theory, Hatori criticized the later interpretation that Smith had assumed the labor theory of value was not valid in civilized society; Hatori contended that Smith considered only that the quantity of labor was not a unique condition in civilized capitalist society. Considering whether profit tended to decrease with the progress of capital accumulation, Hatori showed that Smith theorized declining profit occurred with the transition to inferior cultivated land through capital accumulation, which is in contrast to the accepted explanation that calls for increased competition. Finally, Hatori discussed Smith's proof of an increase of productivity and a high wage rate via capital accumulation and Smith's explanation that contemporary distress was not due to the high wage rate but to securing high profit by monopolies. Thus, Hatori concluded that Smith built a theoretical system to critique the mercantilist monopoly.

Next, *Capital Accumulation* discussed Ricardo's accumulation theory. Several points were studied, but we introduce only two issues. First, we examine “mechanization and unemployment,” which occurred with the Industrial Revolution. Ricardo, who thought that capital accumulation would increase the demand for labor and realize high wages, had to consider whether mechanization as a result of capital accumulation would decrease employment. According to

the predominant interpretation of this issue, as Ricardo grasped change of circulating capital as determinants of demand for labor, so he recognized the possibility of decreased demand for labor through mechanization. In the third edition of his *On the Principles of Political Economy and Taxation* (*The Principles* hereafter), he had to modify his theory that laborers would be wealthy as accumulation progressed. However, Hatori argued, first, that Ricardo grasped not the change of circulating capital but “the increase and decrease of material quantities of gross product” (110) as determinants of demand for labor. Second, Hatori pointed out that “Ricardo’s usage of demand for labor contains not only productive laborers but also unproductive laborers [servants] and means the whole demand for labor” (113). Third, Hatori concluded that the problem of “mechanization and unemployment” did not interfere with Ricardo’s fundamental vision of capital accumulation. This was because Ricardo, depending on the abovementioned reasons, considered that “even if laborers were thrown out of productive work by mechanization, if they were employed immediately as unproductive laborers, then the level of employment and wages would not change a bit” (113). Even if Ricardo’s theory of unemployment seems non-methodological and non-conceptual from later viewpoints, Hatori considered this interpretation to be “faithfully composed based on the logic of classical theory itself” (8).

Second, we consider the interpretations of the so-called “end of the source of wealth,” which was supposed to appear at the limits of a country’s capital accumulation. It was thought that capital accumulation was accompanied by high wage rate and, as a result, a population increase, and then, could not help cultivate inferior land. Thus, the profit rate would decrease to a level at which any motives of accumulation would be lost. “The end of the source of wealth” would come. Hatori considered, however, that it was doubtful that Ricardo supposed “the end” would involve overflow of accumulation leading to an end of accumulation. Hatori remarked of Ricardo, “Man from youth grows to manhood, then decays, and dies; but this is not the progress of nations. When arrived to a state of the greatest vigor, their further advance may indeed be arrested, but their natural tendency is to continue for ages, to sustain undiminished their wealth and their population” (Ricardo 1951, 265). Hatori concluded, that the “end of the source of wealth for Ricardo must be such a state of society in which capital and population together are constantly maintained” (Hatori 1963, 194). It is remarkable that Hatori criticized Uchida’s interpretations that defined the “end of the source of wealth” as a state in which “the sun becomes extinct” (Uchida 1958, 35) or Ryouzo Tomizuka’s interpretation that defined it as “distress for laborers” (Tomizuka 1960, 15). According to Hatori, Ricardo did not suppose that “the end of the source of wealth” would be an historical eventuality but re-

garded it “as a hypothetical description which is built for the facility of reasoning on the theory” (Hatori 1963, 197). We will see Hatori later emphasizing the hypothetical nature of classical theory.

The final chapter of capital accumulation analyzed the theory of Malthus. In the early 19th century, depression was an issue, but Ricardo did not take it seriously because he understood it as a temporary and regional problem. Malthus, however, referred to the possibility of general depression and criticized Ricardo for failing to see this. As for why Malthus objected to Ricardo, John Maynard Keynes (1883–1946) interpreted that Malthus denied Ricardo’s assumption that saving is investing. Hatori, however, pointed out that Malthus’ question was the balance between saving and consumption. According to Malthus, if a certain proportion of revenue is not consumed unproductively but saved excessively, surplus investment occurs of necessity and, as a result, supply does not bring about suitable demand, and so, the general supply surplus would be raised. In order to evade depression, Malthus contended, it was necessary for the propertied classes specifically to be unproductive consumers. Hatori considered Malthus to have a pioneering theory of the “equilibrium rate of accumulation,” which was superior to Ricardo’s theory, but “when [Malthus’] theory is applied to the analysis of the contemporary state, it has no option to serve as justification for the policy system of the landlord state, which is a lever for the final stage of the pre-accumulation process in England” (Hatori 1963, 276).

Hatori focused on the classical theories of capital accumulation in relation to their visions which acknowledged civil and civilized development of capitalist economy and, as a result, he was able to advance new interpretations on classical economics. It is notable that Hatori, in this period, followed Uchida’s argument that classical economics is a “fundamental science of history and society.”

III Pure Capitalism and Classical Economic Theory

1. Smith—The Physiocratic Idea and the Labor Theory of Value

After the mid-1960s, Hatori seemed to change his stance on classical economics considerably and published four monographs, namely, *The Fundamental Problem of Classical Economics* (1972, *Fundamental Problem* hereafter), *Studies on Ricardo* (1982), *The Studies on “The Wealth of Nations”* (1990), and *Theoretical Sphere of Ricardo* (1995).

Most remarkably, Hatori mentioned a “working hypothesis which should be positioned as the starting point for our work” (Hatori 1972, “Postscript”). Hatori’s “working hypothesis” is that the classical economists assume “pure capitalism” when formulating economic theories. For example, *The Wealth of Nations* is significant, according to Hatori, because “Smith assumes an economical

society in which all industries are completely conquered by capitalist production and that society is constituted fundamentally by three classes, that is, wage-laborers, capitalists and landlords. Upon proposing such a society, which ought to be named **pure capitalism**, Smith analyzes what economic laws penetrate the case of complete competition” (ibid., 412, our emphasis).

Pure capitalism is not a simple description based on reality. In Smith’s eyes, the mercantilist monopoly and not a few small producers survived.³ Smith, however, could not help supposing they would necessarily disappear in the near future. Hatori pointed out that pure capitalism was a deduced model that was abstracted from the tendencies and results of real economy. According to Hatori’s definition, pure capitalism has two futures: first, society is comprised of three classes, and second, complete competition leads to average profit in all industries.

In the case of *The Wealth of Nations*, Hatori pointed out, the model of pure capitalism is applied only to the first and second books. From the third book, the model is replaced by a comparative analysis of history and an analysis of status quo. Hatori estimated this distinction between pure theory and an analysis of history-status quo as contributing to the birth of Smith’s economics. Thus, “it might be said that all five books of *The Wealth of Nations* are formed around the axis of abstract theory developed in the first and second books. It is because Smith could build a system of abstract theory which is developed deductively from value theory to price, distribution, and accumulation theories in the first and second books that he could arrive at an important opportunity for independence of his economics from jurisprudence system” (Hatori 1990, 43).

As Hatori did not explain the reason he took the working hypothesis of pure capitalism in his studies on classical economic theory, to understand why, we have no choice but to examine how he makes use of pure capitalism in his interpretation.

First, let us observe his interpretation of the difficult problem of the “physiocratic idea in Smith.” As is commonly known, through the first and second books of *The Wealth of Nations*, on the one hand, Smith opined that value and value-added were created by labor which produced commodities or labor employed by capital; on the other hand, Smith’s physiocratic description in the fifth chapter of the second book was that in agriculture, not only human beings worked but domestic animals and even nature too and, as a result, more val-

3 Hatori had the opinion that Smith in 1760s [in *Lectures on Jurisprudence* and ‘An early Draft’ of Part of *The Wealth of Nations*, included in (Scott 1937)] “supposed the state of society that was constituted only by independent producers of commodity” (Hatori 1990, 35).

ue-added (rent) might be produced than in manufacturing. Ronald L. Meek (1917–78), for example, interpreted this contradictory opinion from an historical viewpoint, namely, that as Smith lived in transitional stage in which agriculture had not yet been subsumed completely under capitalism, so he could not regard rent as a kind of derivative income due to capitalist production (Meek 1962, 352–53). Hatori, however, did not agree with this opinion, in which the problem is dissolved into history.

Even Uchida criticized Smith's physiocratic idea, stating that "according to Smith's theory on value-added, it is highly likely that value is produced only by productive labor and is transformed into rent and profit" (Hatori 1972, 71. Cf. Uchida 1961, 207). Hatori, contrary to Uchida, argued that "according to Smith's logic, there ought not to be the contention that 'value is transformed into rent'" (Hatori 1972, 72). Smith assumed "pure capitalism," and so "what Smith could prove by coherent logic in chapter six of the first book [of *The Wealth of Nations*] was only that the laborer employed by capital produced value-added, which equaled average profit. Therefore, rent could not be something produced by the laborer employed within this logical framework" (74). In the same chapter, Smith referred to society after the appropriation of land, in which goods were produced by labor and shared between laborer and landlord. However, Hatori pointed out that the laborers in this description were observed peasants who rented land from landlords and cultivated it, and so, this description cannot explain capitalist rent under capitalist propriety of land.

Hatori contended, therefore, that the "physiocratic idea" must be interpreted as the result of Smith's logical framework of pure capitalism, that is, the law of average profit through all industries and three societal classes, within which agricultural surplus exceeds the average profit by rent. It is this contradiction between the law of average profit and existing of rent that Hatori called "the fundamental problem of classical economics." As Smith recognized this problem, he explained it by the specialty of agriculture sector in which "domestic animals" and "nature" work.

Next, we consider the relationship between the theory of value and the idea of "pure capitalism." As we observed already, Hatori contended, against common opinion, that Smith thought the labor theory of value was valid, even in civilized society. Karl Marx (1818–83), whose opinion on the matter was probably the original form of later common interpretations, grasped that Smith limited coverage of the labor theory of value within society comprised by small class producers and considered commodity value in capitalist society to be unregulated by the quantity of labor necessary to the production but rather by the quantity of labor which the commodity could purchase in the market (Marx 1985, 46–47).

Criticizing Marx's interpretation, Hatori pointed out that "commercial society," which is the background of the value theory in *The Wealth of Nations*, is "not society producing simple commodity but producing capitalist commodity" (Hatori 1990, 56). This is because Smith mentioned not only the social division of labor but also the factory division of labor when he discussed commercial society. In addition, the "early and rude state of society" in which Smith discussed "labor employed in acquiring commodity [labor embodied hereafter]" coinciding with "labor which commodity command [labor commanded hereafter]" (Smith [1776] 1976, 65) did not represent the state that existed in early history but a fiction that abstracted the capital-labor relationship logically from full-grown capitalism. In other words, it was assumed that in the "early and rude society," there were only laborers, but they were supposed to have learned the rules of value from the capitalist society.

In contrast to Marx's interpretation, Hatori pointed out that Smith considered that the labor theory of value was still valid in a capitalist society. That is, not only labor commanded is the measure of value but also labor embodied is the source of value. Although Marx understood that Smith ranked profit and rent as well as wages (labor) as sources of value in capitalist society, Hatori pointed out that Smith modified his expression of "a source of value" to "a component part of [price]" in two places in the second edition of *The Wealth of Nations* (Hatori 1990, 93). According to Hatori's interpretation of this modification, on the one hand, Smith retained his opinion that labor embodied was the source of value, even in capitalist society and, on the other hand, came to consider that the size and fluctuation of the value of commodities was regulated mainly by the quantities of labor embodied but also influenced by the component parts of the price.

In summary, Hatori understood *The Wealth of Nations* as having been written on a theoretical model of pure capitalism rather than on a model of a historical society developing from the early times to the present state.

2. Malthus—Objection to the Corn Laws and Theory of Rent

Although there are different opinions about whether Malthus was a classical economist, Hatori appeared to understand that Malthus assumed a model of "pure capitalism" in his economic theory, as did Smith and Ricardo. We confirm this in two chapters of *Fundamental Problem*.

In the first place, Hatori examined what economic thought is contained in two pamphlets that Malthus published on the Corn Laws controversy. As is commonly known, Malthus did not approve or disapprove of the Corn Laws in *Observations on the Effects of the Corn Laws* published in 1814 (*The First Paper* hereafter). He first proclaimed explicitly his affirmative opinion of the Laws

a year later in *The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn* published in 1815 (*The Second Paper* hereafter). Hatori addressed whether Malthus had changed his economic thought between the two papers, arguing against Uchida, who posed this question (Uchida 1961, 276–84).

According to Uchida, *The First Paper* took the position that when the Corn Laws are questioned, it should not only be from an economic viewpoint but also consider noneconomic matters, such as the effects on state security objective. This was because Malthus did not doubt at that stage the economic advantage of free trade of corn. In *The Second Paper*, however, Malthus came to view the high price of corn brought about by the Corn Laws as profitable for the country and considered it possible to conclude either for or against the Corn Laws within economics (Uchida 1961, 276–84).

First, Hatori analyzed *The First Paper* and called the attention to Malthus' discussion of the benefit of free trade of corn, in which he pointed out purely economic benefits, for example, a decreasing price of corn. Next, Malthus mentioned disadvantages, including the risk of excessive dependence on foreign corn. As Uchida remarked, this disadvantage is certainly from the view of state security. However, Hatori discussed that Malthus did not object strongly the principle of free trade for this reason because he considered the risk for the state of England to be low in the spring of 1814, when *The First Paper* was written. Another important disadvantage discussed by Malthus is excessive manufacturing as a result of declining domestic agriculture due to free trade of corn. Uchida understood this point as a criticism owing to Malthus' fear for the unstable social order, but Hatori understood that "these *noneconomic* bad effects are argued by Malthus as a result of the *economic* damage originating from excessive manufacturing and declining agriculture due to the policy of the free trade of corn" (Hatori 1972, 88, The italics are Hatori's). If this is true, contrasting with Uchida's interpretation, "Malthus in *The First Paper* does not necessarily have confidence in the general validity of a theory of free trade" (*ibid.*, 89).

In *The Second Paper*, Malthus demonstrated for the first time his support for the policy to impose restriction on corn imports. According to Hatori, Malthus' change was not due to economic theory but to an assessment on economic benefits at the time. That is, first, Malthus considered that agricultural distress since the latter half of 1814 and the new French law on corn export would cause greater damage in England than the anticipation of it in the spring 1814. Second, manufacturing in England had already developed more than agriculture. Malthus' change, therefore, was not based mainly on the viewpoint of "state security," but rather on economic benefits in England, which depends on trade policy. "That is, Malthus judged that it was rather expedient from an economic

viewpoint to support the policy of restricting corn import given the distress of agriculture and the state of the English economy at that stage” (Hatori 1972, 111–12).

In short, Hatori criticized Uchida, contending that Malthus, through *The First Paper* and *The Second Paper*, discussed the effects of importing corns as an economic problem, and thus the point about state security was merely an argument to reinforce the economic discussion. It is remarkable that Hatori sought in Malthus a characteristic of the theory of pure capitalism, which understands society from economic viewpoint above all.

In the second place, Hatori pointed out that Malthus noticed “the fundamental problem of classical economics” propounded by Smith and sought a solution. This is based on Malthus’ third pamphlet on the Corn Laws controversy, that is, *An Inquiry into the Nature and Progress of Rent* (1815, *The Third Paper* hereafter). In this pamphlet, Malthus contended it was necessary to build a theory of rent to discuss the Corn Laws. Hatori questioned why Malthus considered the theory of rent to be most urgent.

In reality, Malthus had opened of *The First Paper* by criticizing Smith, who contended that the policies for protecting agriculture, like the bounty of export and the restriction of import, upset the natural order of capital distribution but did not really encourage agriculture. Malthus, however, argued that these policies had the effects of encouraging agriculture and coincided with the position of Smith, who judged agriculture as having advantages over commerce and manufacture (Malthus [1814] 1970a, 95–106). In *The Second Paper*, Malthus evaluated Smith’s contention that “No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction [as agriculture]” (Smith [1776] 1976, 364), and confirmed its finding that value-added as rent was produced in agriculture. Malthus contended that rent was not only for the benefit of landlords but also created demand for manufacturing, and then, increased the finances of a country (Malthus [1815] 1970b, 162–63).

Hatori considered Malthus’ contention that rent represented an increase of real fund of a country followed from Smith’s observation that the quantity of value produced in agriculture was more than that in manufacturing. Malthus, however, could not approve of Smith’s reasoning that the grounds for greater value in agriculture lay in domestic animals or nature via application of a labor theory of value. This was because Malthus considered exchangeable value of commodity to be determined by the principles of demand and supply. In this way, Malthus inherited the “fundamental problem” from Smith, but he had to seek for the source of rent differently from Smith’s reasoning.

Malthus found three causes of rent. First, land has fertile nature that yields surplus products more than required for the maintenance of the people em-

ployed on the land. Second, as its products are necessities of life, and thus, they are able to create their own demand, so are surplus products necessarily able to become surplus values over costs. Third, the surplus values are distributed as high profits and high wages as long as land is abundant, but excess profits are received as rent by landlords when fertile land become in short supply with the advancement of capital accumulation (Malthus [1815] 1970c, 184–85). By this rent theory, Malthus not only completed his positive opinion of the Corn Laws, which realized protection of agriculture by producing new value-added as rent and increased real funds for developing national economies, but also created his own answer to solve the question of why high value of agricultural products were produced under assumption of the law of average profit.

With the theory of rent, *Fundamental Problem* shed new light of understanding Malthus' profit theory. Malthus found two main factors that effected trends in profit in the process of capital accumulation, namely, the influence of decreasing returns in agriculture (the so-called "limiting principle of profit") and the influence of the principles of demand and supply, or competition (the so-called "regulating principle of profit"). Malthus contended that the latter rather than the former impacted on the actual movement of profit. Many researchers have considered "the regulating principle of profit" to be more important. For example, according to Hatori, G. S. L. Tucker interpreted "the limiting principle of profit" to be an abstract principle that set a "theoretical trend" (Tucker 1960, 129) to determine the ceiling of actual profit and only the "regulating principle of profit" could explain the actual level of profit. In addition to, Tucker pointed out that Malthus did not necessarily coherently maintain his opinion that the "limiting principle of profit" set the ceiling of movement of profit and he occasionally assumed the possibility of exceeding the ceiling by the "regulating principle of profit."

Hatori criticized Tucker by pointing out that the "limiting principle of profit" in Malthus' economics played an important role in setting "the ceiling" which could not exceed the trend of real profit. The viewpoint in which Hatori criticized Tucker was that "rent theory is the central position in the economic system of Malthus, while proposition of the trend of decreasing profit is indispensable for the rent theory" (Hatori 1972, 185). According to Hatori, Malthus should not be ranked as an economist of demand-supply theory but rather as a classical economist who addressed "the fundamental problem" of pure capitalism.

3. Ricardo's Theory of Absolute Value

Hatori's contention that the model of pure capitalism must be the standard of analysis in classical economics, reached the peak with study of Ricardo. As is commonly known, Ricardo in the "Preface" of *The Principles*, declared that "the

principal problem in Political Economy” was in determining the law of distribution of the wealth among three classes, namely, landlords, capitalists, and laborers. Then, Ricardo presented a theme that it was essential to understand the theory of rent correctly in order to solve the principal problem. From these statements of Ricardo, Hatori seemed to confirm that Ricardo adopted the model of pure capitalism, and then, was aware of “the fundamental problem of political economics.”

In postwar Japan, Ricardo’s theory of distribution was regarded as the theory of capital accumulation in terms of which the labor quantity theory of value was evaluated as a fundamental theory. Hatori considered this evaluation appropriate, but at the same time, called attention to Ricardo’s “Preface,” which pointed out that Smith was not able to understand the theory of distribution correctly because of the failure of his theory of rent. Although Smith recognized that capital accumulation was the trigger for development of the national economy and the principal problem was to identify funds for accumulation, “it was at feature of Smith’s opinion that he regarded not only profit but also rent as funds of accumulation” (Hatori 1972, 249). Hatori seemed to understand that this feature of Smith was linked to the consideration of rent being the product of labors, even if this labors were that of domestic animals and nature. In fact, Smith considered agriculture to be the most important sector for national accumulation because it produced both profit and rent as real funds for accumulation.

Ricardo refuted Smith because Ricardo considered that there was no reason for agriculture to have precedence in the national economy. According to Hatori, considering that Smith’s incorrect rent theory arose from his incorrect value theory, Ricardo first discussed the theory of value, and next, the theory of rent in *The Principles*.

As for the value theory, which is systematically discussed in the first chapter of *The Principles*, Hatori pointed out “it is an outstanding feature of Ricardo’s value theory that he recognizes absolute value being behind the exchangeable value and the quantity of labor embodied in the production of commodities creating the substance of value” (Hatori 1972, 251–52). It is well-known that, as compared with Smith, who related the value of commodities to both labor embodied and labor commanded, Ricardo related them only to labor embodied. However, it is an unsettled question whether Ricardo’s value of labor embodied is involved with mainly relative or absolute value.

On this question, Meek contended that Ricardo was not entirely concerned with absolute value in the first edition of *The Principles* and that Ricardo became “to identify the absolute value of a commodity with the quantity of labor embodied in it” (Meek 1956, 112) after the third edition. Hatori argued that Meek’s opinion was “irrelevant to the content of distribution theory in *The Prin-*

inciples, in which the central point of discussion is on the economic effects of high price of corn accompanied by increasing difficulty of production from cultivating inferior land in the process of accumulation. Then, it cannot be that Ricardo was not particularly concerned with absolute value in *The Principles*" (Hatori 1972, 256). According to Hatori, the core of Ricardo's contention that the Corn Laws led to cultivating of inferior land and increasing corn price, was inseparable from his theory of absolute value, that the quantity of labor embodied was the substance of value.

Hatori confirmed that Ricardo's absolute value theory was directed at a criticism of Smith's theory of added-value and rent. According to Ricardo, Smith limited the coverage of the strict labor theory of value (theory of labor embodied) in the "early and rude state of society," while he pointed out that, after "both the accumulation of stock and the appropriation of land" (Smith [1776] 1976, 65), the labor commanded which was identified with wage regulated the principle of value. In his criticism of Smith, Ricardo discussed that both capital accumulation and land appropriation did not invalidate the labor embodied theory of value. Hatori concluded that Ricardo criticized Smith's value theory by empathizing that wage, profit, and rent were distributed incomes not the substance of value. The essence of Hatori's interpretation is that Ricardo's absolute value theory and rent theory are inseparably united as a criticism of Smith.

Ricardo has established the theory of differential rent, by which there is no rent when only fertile land is cultivated. As soon as inferior land is introduced to supply food for a growing population, the labor embodied on inferior land determines the general value of corn to reward average profit for agricultural capitalists on inferior land. As a result, the extra profit accrues on fertile land and is transferred to rent. Hatori remarked, "Ricardo contends that rent does not contain any substantial value in which labor is embodied" (Hatori 1972, 287). This contention is clearly a radical criticism of Smith, who grasped the essence of rent as substantial value produced by the labor of nature and domestic animals. Hatori found rent to be a "nominal" value, as Ricardo mentioned in the final chapter of *The Principles* (Ricardo [1817] 1951 a, 399). Hatori understood Ricardo's position to be that the essence of rent was "social value over individual value" (Hatori 1972, 287) and that the rent did not amount to the real funds of accumulation for a national economy.

According to Hatori, Ricardo argued that as value was produced only (absolutely) by human labor, so rent ought not to be real but a merely nominal value. While Hatori probed the meaning of "rent as a merely nominal value," it was also true that Ricardo determined rent as value, even if it was nominal. Does this fact mean that Ricardo approved value being able to be produced without labor

embodied and value existing as a social matter? We note a contradiction between asserting the substance of value as an absolute matter and recognizing value of rent as a social matter in Ricardo, because the concept of absolute value presupposes that value is determined absolutely without social relation to other things.

In not a few researchers' opinions, it is doubtful that Ricardo was so much interested in the substance of value, though it is certain that he was concerned with quantity of labor as regulation and measurement of exchangeable value.⁴ Then, if we understand the essence of value as a social matter alongside rent theory, should we relate the labor embodied not to an absolute value but to an exchangeable value? We address this issue in the next Section.

IV Ricardo's Criticism of Sraffa: Reconstruction by Hatori

After encountering *Works of Ricardo* (*The Works* hereafter) edited by Piero Sraffa (1898–1983) through the conscientious investigation of documents, Hatori increasingly focused on Ricardo. Because Hatori gradually longed to interpret classical economics from the view point of pure theoretical models that excluded the preconceptions of researchers such as historical views, *The Works* became a treasure of documents for Hatori in his quest for proving his interpretation based on evidence. *The Works* also had great influence on researchers of Ricardo through Sraffa's interpretation using the investigation of documents. Above all, Sraffa's contention that Ricardo in the early period considered adopting the "corn-ratio theory" (Sraffa 1951, xxxi) surprised researchers but resulted in more than little disbelief. Hatori, however, was conspicuous in being possibly the first in the world to criticize Sraffa's interpretation of the corn-ratio theory.

Sraffa contended it was possible that Ricardo, in the period before *The Essay on Profits* (1815) was published, calculated agricultural profit by comparing the total quantity of corn produced with that of capital advanced without considering the value-term. Sraffa acknowledged that the corn-ratio theory was never stated explicitly by Ricardo but provided some evidences for his interpretation, such as Malthus' understanding of Ricardo being like the corn-ratio theory, Ricardo's referring "The rate of profits and of interest must depend on the proportion of production to the consumption necessary to such production,"

4 For example, Dooley pointed out "Ricardo's theory focused on the regulation and measure of market prices. Even though he alluded to the metaphysical concept of labour as the origin of value, he was not much interested in such philosophical abstractions" (Dooley 2005, 157). It is true that Ricardo in his later days discussed "absolute value," but even in this case, his concerns turned to how to measure of it.

(Ricardo 1951 c, 108) and “Table” (Ricardo 1951 b, 17) in *The Essay on Profits* (capital, product and income are all expressed by corn), which reflected this approach.

In the beginning, Hatori took the attitude that as there was no certain evidence before *The Essay on Profits*, we cannot decide whether Ricardo adopted the corn-ratio theory. However, Hatori criticized Sraffa’s interpretation of the “Table” in *The Essay on Profits*. According to Hatori, we should assume that Ricardo understood corn to be a measure of value because, in the text part of *The Essay on Profits*, he mentioned agricultural capital was constituted by various commodities, and then, converted them to corn. The numerical examples in “Table” reflect description of this text, and thus Ricardo never calculated profit without valuation.

However, Hatori and later, when Samuel Hollander criticized Sraffa’s interpretation (Hollander 1973), denied the existence of corn-ratio theory, even before *The Essay on Profits*. Hatori adopted the same position as Hollander: that Ricardo and Malthus before *The Essay on Profits* discussed profit theory by the term of “price.” However, according to Hatori, Malthus questioned the value of money, which was the measure of price, as being unstable, and so, in *The Essay on Profits*, Ricardo chose corn as the measure of value as it was more stable than money (Hatori 1982, 70). This reasoning is like that of Smith, who considered the value of money to be unstable, but considered “labor (wage)” to be more stable and that corn could be substituted for labor. In short, Hatori believed that the early Ricardo could not defeat Smith’s value theory of labor commanded, and thus he adopted corn as the measure of value in *The Essay on Profits*.

In our view, it was Hatori’s precise opinion in the beginning that the presentation of a corn-ratio theory could not be identified prior to *The Essay on Profits*, and his interpretation was correct that corn was used as a measure of value by Ricardo in *The Essay on Profits*. However, we doubt Hatori’s notion that Ricardo stood for the same position as Smith, who considered the value of corn to be invariable. Taking into account it was the agricultural sector in which Ricardo discussed profit movements using corn as the measure of value in *The Essay on Profits*, it is a disputable point whether Ricardo considered corn as a measure of value applicable to other sectors. While it is really difficult to agree with Sraffa’s corn-ratio theory, but it is possible that Ricardo took account of the specialty of the agricultural sector, in which both capital and products could be converted into corn comparatively easily.⁵

Sraffa clearly recognized that Ricardo adopted the labor theory of value after *The Essay on Profits*, but at the same time, he pointed out that after *The Principles*, a discussion to determine the rate of distribution without the theory

of value appeared to echo the corn-ratio theory in the early period. Sraffa remarked in a letter to McCulloch (1789–1864) on June 13, 1820, “After all [,] the great questions of Rent, Wages, and Profits must be explained by the proportions in which the whole produce is divided between landlords, capitalists, and laborers, and which are not essentially connected with the doctrine of value” (Ricardo 1952, 194). Hatori criticized this comment of Sraffa by pointing out that the evidence was only the fragment of one letter, and instead, examined in detail the entire letter, earlier and later correspondence between McCulloch and Malthus, *Notes on Malthus’s Principles of Political Economy*, and the first draft of the chapter of value in the third edition of *The Principles*. After a detail investigation, Hatori concluded that “Ricardo at that time was trying to work out what goods he should choose as the measure of value among various goods produced under different condition, in order to measure the absolute values of each kind of commodity produced by capitals with different circulation times” (Hatori 1982, 293). “Ricardo considers it is not entirely necessary to modify his thinking that the whole system of economics should be formed on the labor theory of value” (277). According to Hatori, what Ricardo really wanted to say in the passage of the letter to McCulloch was that “studies to determine the rate of distribution are not essentially connected with [the unsolved problem to choose the measure of absolute value among the studies of] the doctrine of value” (295).

As far as the passage from the letter to McCulloch, we judge Hatori’s dealing with documents and his interpretation to be persuasive. However, if we consider his criticism from the viewpoint of how we understand the implication of the labor theory of value as a whole, we cannot help feeling that Hatori stuck to his opinion that the essence of Ricardo’s economics is in the labor theory of value, especially in the theory of absolute value. In order to confirm this point, we consider another of Hatori’s criticisms of Sraffa.

Ricardo rewrote the chapter on value in the second edition of *The Principles* and revised it considerably in the third edition. Although the widely accepted interpretation of the meaning of Ricardo’s revision is from Edwin Cannan (1861–1935) and Jacob Hollander (1871–1940), who interpreted it as a retreat from the labor theory of value, Sraffa made good use of the new documents and contended that there was no evidence to reveal Ricardo had retreated from his earlier position. One of Ricardo’s revisions that refer to the difference of inter-

5 My own view is that Ricardo initially analyzed the subject of profits differently for the agricultural sector and the manufacturing sector but gradually conceived the subject as the problem of a whole economy and, as a result, developed a labor theory of value (Senga 2011).

pretations is as follows. The first edition stated: “In the early stages of society, the exchangeable value of these commodities . . . depends solely on the comparative quantity of labor expended on each.” In the third edition, the word “**solely**” is revised to “**almost exclusively**” (Ricardo [1817] 1951 a, 12). This revision was interpreted as the retreat from the labor theory of value by Cannan and Hollander but Sraffa argued that “the background against which the ‘solely’ of edition 1 is to be understood is that no prices can rise as a result of a rise of wages—they can *only* be raised by an increase in the difficulty of production. On the other hand, in ed. 3 the ‘almost exclusively’ reflects the change in the choice of standard from ed. 1 to ed. 3 (. . .), the new standard permitting a rise of price, as a result of a rise of wages, in the case of commodities produced without fixed capital” (Sraffa 1951, xxxix. The italic is Sraffa). In short, Sraffa understood the revision as the result of a change in the choice of standard. His conclusion was that “the theory of edition 3 appears to be the same, in essence and in emphasis, as that of edition 1” (xxxviii).

Agreeing fundamentally with Sraffa’s conclusion that Ricardo in later editions did not retreat from the labor theory of value, Hatori carefully watched the objections to Sraffa, such as those of Meek, who sympathized fundamentally with Sraffa but criticized his explanation for being “a shade too ingenious” and suggested that the revision related to a passage of Ricardo’s *Notes on Malthus’s Principles of Political Economy* (Hatori 1972, 164; Cf. Meek 1956, 106 footnote). In addition, Hatori remarked on S. Moore, who interpreted the reason for the revision as “the change of the supposition about the early stage of society” and concluded that Ricardo, in fact, did change his opinion on the labor theory of value (Moore 1966, 323). Although Hatori complained that Meek and Moore did not point out faults in Sraffa’s treatment of the documents, he learned from both opinions.

After undertaking detailed examination of documents, Hatori at first confirmed that the background to the revision was not a criticism of Robert Torrens (1780–1864), as was Sraffa’s interpretation, but rather Ricardo’s reading of Malthus’ criticism in his *The Principles of Political Economy*, that is, the modification to the law of value operated at every stage of society. Hatori concluded that upon receiving Malthus’ criticism, Ricardo revised his supposition of “early stage” in ed. 1 and ed. 2, which was at such an early stage that the differences between fixed capital and circulating capital, or the differences of circulating time of fixed capital, had no important meaning. Ricardo removed this supposition in ed. 3. This conclusion of Hatori seems to be the same as that of Moore. Hatori’s interpretation, however, differs from Moore’s because Moore reasoned that Ricardo in ed. 1 and ed. 2 assumed that “early stage” was a historical reality, in which the quantity of labor determined the value of commodities. Howev-

er, in ed. 3, Ricardo took the position that the cost of labor was not a unique cause of value in every stage of society and then viewed “early stage” being only as “the model formed on the pure hypothesis” in which lost the validity of the law of labor value (Hatori 1982, 169). Hatori appreciated Moore’s contention that the “early stage” in ed. 3 was not described as historical reality. However, Hatori argued that it was the same in any of the three editions that Ricardo began his discussion of the law of labor value in “early stage” by abstracting the differences between fixed capital and circulating capital, or the differences of circulating time of fixed capital. According to Hatori, the labor theory of value was originally not the principle induced from realistic society but deduced theory in “the fictional world set by pure theoretical necessity” (202).

According to Hatori, it is certainly a problem that Ricardo regarded changes in the quantity of labor as the main factor determining value and changes of wages (or profit) as a sub-factor, but it does not mean that the former became weaker with the revision of *The Principles*. It means instead “that Ricardo could not distinguish between the value regulated by the quantity of labor and the natural price regulated by the average profit. This problem underpins the entire theoretical fault found in his theory of value” (205–06). Reading this conclusion, we cannot help it that Hatori’s criticism of Sraffa based in effect on Marx’s interpretation of Ricardo. In my view, reexamination on Marx’s interpretation of classical economics, as Hatori tried partly, is one of the challenges today.

V Concluding Remark

Takuya Hatori’s career as an eager and earnest scholar of classical economics changed considerably over time through the course of his studies. In the first half, he concerned himself mainly with the historical aspect of classical economics, namely, with the theory of political-social thinking and reproduction. He struggled to clarify the meaning of modern capitalism in its working relationships with fundamental human rights, the political state, and civilized society. In this period, he carried out his studies under the influences of Otsuka and especially of Uchida, who were the critical successors of the “Koza-ha.” In addition, he found it of vital importance to understand modern capitalism through the relationship with the ideals of civil society that were formed most typically in Western Europe.

In the latter half of his career, Hatori concentrated on the theoretical study of classical economics, especially on the theory of value and distribution. He presented the “working hypotheses” that the classical economists presupposed a pure capitalism, and, for that reason, severely criticized other scholars for and prohibited himself from importing non-theoretical, i.e. historical, political and

ideological, views, to understand and interpret classical texts of economics. He was deeply occupied with the idea of the fundamental differences between existing historical texts and their interpretations, and the idea was revealed to him in the first place through his critical examinations of Sraffa's interpretations of Ricardo.

Actually, I asked Hatori about the reason why he switched main object of his study from Smith to Ricardo. Owing to *The Works*, he answered, we became to be able to confirm own interpretation by evidences, such as correspondences, manuscripts, speeches in the parliament etc. in the case of Ricardo, but there were not such a plentiful materials in that of Smith. Any liberal interpretation without certain evidence, Hatori said regrettably, often resulted in arguing only own opinion. It might be sure that Hatori chose the theoretical study of Ricardo for readiness of historical materials and exactness of demonstration and then adopted a suitable methodology for it.

Nonetheless, we cannot completely know the precise reason why Hatori, in the latter half of the 1960s, changed his approach of the study of classical economics toward keeping away from historical-ideological aspects. In his personal history, he changed his professional position from Fukushima University to Okayama University in 1966. The former students of Okayama University in those days recollect that Hatori often used in his seminars the economics of Kohzo Uno (1897–1977) as a reference work. Uno was highly renowned as an economist who proposed a theoretical distinction between the principle of economic theory, the theory of stages, and the analysis of status quo. Uno placed a particular emphasis on the theoretical necessity of presupposing a “pure capitalism” for the study of the principle of economic theory. He participated in the Japanese Capitalism Controversy and criticized the “Koza-ha” for introducing noneconomic factors, like semi-feudalism, in the economic analysis of Japanese capitalism before the Second World War. Uno argued that economic analysis should be developed as a science separated from any kind of ideology.⁶

What kind of background did make Hatori approach the method of Uno-Riron (Uno Theory) by way of departing from the influences of the “Koza-ha”? One possible reason lies in the social and political background of the latter half of the 1960s. During the period, Japan had begun its strong economic growth after finalizing the era of political struggle and confusion represented by the fierce national debate on the issue of the US–Japan Security Treaty in 1960. The

6 Uno contended that capitalism in the historical development includes more or less factors alien from simple capitalism economy, but, if we theorize about capitalism without abstracting such factors, we will only underestimated such factors on the contrary (Uno 1974, 22–23). According to Uno-Riron, noneconomic factors should be considered in the stage theory but they must be excluded from the principle theory.

event ideologically splitting the nation between the right and the left might have been the final chapter of post-war democratic movements in Japan. As the result, the Japanese economy seemed to have enjoyed a great success, but without a full realization of the ideals of “civil society.”⁷ Another possible reason for Hatori’s change of methodological outlook is that the *Fundamental Problem* was planned and written in the middle of the student protest during that age. While students’ protest first began as an attack and protest against the bureaucratic rule of university establishment, it gradually became ultraradical and violent even to the degree that some active students openly questioned the meaning of their academic work at universities. Hatori once confessed that he was condemned by the students for immersing himself in the world of private study (Hatori 1972, 421). It might be that Hatori was disgusted by an overmuch ideological dispute. Thus, we conclude that in the latter half of the 1960s, Hatori gave up ideological issues for a time and decided to absorb himself peacefully in the study of the theories of classical economics. Thanks to the decision, Hatori continued to produce a series of distinguished works in the history of economic theories for the benefit of the later generations to the last moment of his life.

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7 Uchida, in the age of high economic growth in Japan, pointed out the relationship between “civil society” and “pure capitalism” as follows. “Civil society is not the concept of historical existence but an abstract concept” (Uchida 1967, 73), “however, such a concept of civil society may well be understood as an existence in terms of a pure capitalism” (100). Uchida, I understand, believed that the concept of civil society carried the ideal that people would be tied with each other and live as independent persons as well. Such an ideal was neglected as an unscientific ideological element in the theory of pure capitalism.

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