

Torrens, Senior, and the controversy over reciprocity and free trade

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The 1846 repeal of the Corn Laws was preceded by fierce debates both within and outside Parliament. Among political economists, the controversy got started with Robert Torrens's plea for retaliatory duties against those countries applying restrictions to British manufactured articles. Otherwise, according to him, unilateral free trade would hurt the kingdom by worsening its terms of exchange through the loss of gold and a deflationary crisis. The proposal aroused immediate contempt among free trade advocates, particularly Thomas Perronet-Thompson, Herman Merivale, Nassau Senior, and James Lawson, who, among other things, accused Torrens of reviving old mercantile dogmas. Besides that, his theory was deemed totally unrealistic, and its dire conclusions were cast-off as easily avoidable by Britain via roundabout exchanges with third countries. In this debate, Say's Law, as put forward by David Ricardo, coupled with the price-specie-flow mechanism, proved to be key elements for the free trade camp discourse, complementing thus Adam Smith's fundamental proposition that freedom of commerce provides the best way to promote the interest of all trading parties.

Key words: free trade, protectionism, commercial policy, price-specie flow, Say's Law

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1. Introduction

The passing of the Corn Laws in 1815, stipulating the prohibitive price of 80s per quarter for the free importation of wheat into Britain, was based on two key elements. First, the fear of an oversupply of foreign corn capable of lowering still further domestic prices and thus hurting beyond repair agricultural interests and, second, the search for self-sufficiency in the production of food, so that the country would not depend on potential enemies for sustaining its population in times of war (Bailey 2006, 191-200; Barnes 1930, 117-156). Those reasons, however, were not enough to sway many outside Parliament. Even before its being voted, the bill had already awakened the opposition of large segments within the British society. Petitions against the proposed law flooded the Commons, but without any tangible effect on representatives. David Ricardo's *Essay on Profits*, published that same year along with similar pamphlets on the subject by Thomas Robert Malthus, Edward West, and Robert Torrens, was to lay out the most structured analytical challenge to the Corn Laws besides Adam Smith's earlier condemnation of mercantile regulations.¹

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¹ Mark Blaug (1956), for instance, argued that Ricardo's basic doctrine remained the main reference for almost all British economists until 1846 (see also Checkland 1949). That, however, is an overstatement, considering the growing anti-Ricardian literature of the time and the fact that Smith's message continued highly influential in

As time went on, the dissatisfaction with the restrictive grain policy deepened and the quest for an open economy conquered steady ground among intellectual and politician circles. The process begun to gather momentum after the 1820 London merchants' petition for free trade, approved in its broad terms by select committees appointed by the Commons and the Lords (Grampp 1987; Clark 1951). When the 1840s arrived, the Corn Laws become the key issue of the 1841 elections, which bestowed on the Tory party a solid majority in the Commons after a conservative platform for protection. Sir Robert Peel was designated Prime-Minister and through a succession of political turnarounds, including a short-term resignation in 1845, he managed not only to significantly lower hundreds of tariffs in the 1842 budget, but also to pass the ultimate repeal of the Corn Laws in 1846, with the vote of many dissenting Tories and almost full support from oppositionist Whigs. Although Peel shielded himself away from connection with economists of any inclination, save sparse references to Smith and Ricardo (Evans 2006: 48-71; Irwin 1989), the debates among the Commons over this contentious issue quickly left the strict sphere of politics to enter the rough terrain of economic discourse, covering topics related to international trade, agricultural markets, and wages (Bailey 2006: 157-189).

Broadly speaking, three large currents of thought developed in Parliament at the time. First, the ultra-liberals, represented by Richard Cobden and John Bright, had organized the Anti-Corn League in 1839 in Manchester to stir up society against protection to agriculture. They deemed themselves the "moral voice of the nation", chosen by destiny to fight off privilege and push for an immediate suppression of the Corn Laws (Pickering and Tyrrel 2000: 14-40, 139-190; Grampp 1960: 46-115; Morley 1903: 83-216). The Tory protectionists, who had almost two hundred years of mercantile theory and legislation on their backs, embraced a historical and common-sense approach to counter the liberal rhetoric. Led by Benjamin Disraeli and Lord William George C-S. Bentinck, they praised the prevailing political structure and the social cohesion at home and within the Empire made possible by the steady consumption of manufactures occasioned by a strong domestic agriculture. The unstable nature of *laissez-faire*, to most Tories, would bring about the disastrous overthrow of this long-standing and balanced social order (Griffin 2009; Gambles 1999: 56-85; MacIntyre 1989; Crosby 1977: 114-143). Finally, the liberal-Tories believed, as did Peel himself, that their responsibility was to put national interest ahead of party politics and thus expand the basis of the conservative movement. Experience with the tariff reductions of 1842 had convinced Peel and his followers that repealing the Corn Laws was the best policy toward improving the condition of the people, while safeguarding the British constitution from social upheaval (Gaunt 2010: 103-181; Evans 2006: 48-80; Irwin 1989).

In parallel to Parliamentary political disputes in the forties, a debate within the liberal camp over the more convenient way to implement free trade played out among the lieutenant-colonel of Royal Marines Robert Torrens, a Fellow of Queens' College, Cambridge, Thomas Perronet-Thompson (1783-1869), the Drummond professors of political economy at Oxford, William Nassau Senior (1790-1864) and Herman Merivale (1806-1874), and the Whately professor of political economy at Trinity College, Dublin, James Anthony Lawson (1817-1887). In what follows, we intend to outline the key arguments of the debate to take a new look at the issues related to the stability of demand and the behaviour of the economy during

Britain over the whole nineteenth-century, even among dissenting writers (Magnusson 2004, 20-45; Thompson 2002, 35-110, Irwin 1996, 87-98). In Parliament and in his pamphlet *On Protection to Agriculture* (1822), Ricardo chose to criticize the Corn Laws mainly for their misallocation effect of productive resources instead of for its perverse impact on capital accumulation. His policy recommendations comprised eliminating protection gradually, along with the reintroduction of a bounty for exports and a duty for grain imports, both just sufficient to compensate for the special charges incident upon agriculture (Ricardo 1951-71, IV, 217, 243, 264; Hollander 1977). These same arguments were later reproduced by John R. McCulloch (1841).

the transition from protection to freedom of trade. It will be shown that, instead of making use of the Ricardian argument of a slower capital accumulation due to agricultural protection, which would aggravate the reciprocal class antagonism between landowners, manufacturers and wage-earners, the free traders' discourse at the time resorted specifically to Smith's benefits of international division of labour, to David Hume's operation of the price-specie-flow mechanism and, lastly, but not the least, the efficacy of Say's Law at the international level. By focusing on these aspects of the debate, we adopt a somewhat distinct approach to the issue from the one generally explored in the literature, which confers emphasis on the evolution of the terms of trade under alternative commercial policies (see Magnusson 2004: 41-44; Fujimoto 1997: 60-62; Irwin 1996: 101-114; Robbins 1958: 187-225).

With this goal in sight, the second section covers Torrens's original view on the benefits of free trade. The third section reconstitutes his proposition that reciprocity in commercial policy and a unified Empire were the best options to achieve this objective. Next, the counter-offensive by Perronet-Thompson and Merivale is presented, along with their case for free trade on a Smithian basis. The fifth section is dedicated, initially, to Senior's accusation of Torrens's conception as the revival of old mercantilist doctrines, and, after that, to Lawson's analogous criticism based on his acceptance of utility as the true source of value. Finally, the sixth section outlines Torrens's response to the critics. The concluding remarks assess the pertinence of the purely abstract method during the debate and the effective relevance of Smith's and Ricardo's cases for free trade.

2. Torrens's early support of free trade

Torrens's first inquiries on international trade appeared during the Napoleonic Wars, in his 1808 pamphlet *Economists Refuted*. The piece was written as a response to William Spence and other contemporary writers who, based on the alleged exclusive productiveness of agriculture, as suggested by French physiocratic *économistes*, had denied any negative effects of Napoleon's continental blockade on the British economy. Torrens, at the time, as pointed out by Peter Groenewegen (1993: x-xvi), took much of his economic theory from Smith's *Wealth of Nations* ([1776] 1976) and Lord Lauderdale's *An Inquiry into the Nature and Origin of Public Wealth* (Maitland 1804). Accordingly, Torrens conceived the commerce among nations as an extension of the domestic division of labour, since as each country specializes in the articles it can sell at lower prices, trading would result advantageous for all parts involved, bringing forth a greater and cheaper assortment of wealth to consumers.

Any disturbance to such arrangement, however, was bound to make the countries affected redirect their resources to obtain domestically, at higher costs, things formerly imported and less adapted to their own climate and soil. Here, though, contrary to Smith and following Lauderdale's insights on the negative consequences of an excessive parsimony, Torrens did not see a contraction in foreign trade as being immediately replaced by any other kind of domestic or foreign expenditure, either in consumption or in capital accumulation. The adjustment process, in this situation, was to be a rather painful one (Torrens [1808] 1993: 32-42; Maitland 1804: 207-272).² Or, in Torrens's own description:

² Reflecting on the repercussions of an unexpected change in consumption outlays, Lauderdale believed it would start successive rounds of adjustment in expenditure that would end up surpassing by a large amount the initial change: "Further: though the consequences of this sudden demand for an increased quantity of sugar, in reducing the value of butchers-meat, wine and mustard, of which we have attempted to give a view, must have a considerable effect on the mass of individual riches by its operation on the value of these three articles; its effects will not terminate here; for the proprietors of butchers-meat, wine and mustard, having, from the reduction in the value of their property, less to bestow on their different enjoyments, the demand for other commodities must be

Now, if any circumstance occurred to prevent the merchant's obtaining foreign articles, it is plain that he could no longer draw to himself any portion of the land proprietor's rent, and no longer be able to take off, from the manufacturer, the commodities which were formerly exported. The manufacturer, being thus thrown out of employ, would cease to have so large an effectual demand for provisions, and this diminution of demand would reduce the value of the farmer's produce; he would no longer be able to pay his rent to the land proprietor (Torrens [1808] 1993: 41).

On 24 February 1815, the same day Ricardo published his *Essay*, came out the first edition of Torrens's *Essay on Corn Trade*. The book was based on the "perspicuous" principles set forth by Smith in his digression on the corn market. As known, in the *Wealth of Nations*, high praise was conferred upon that always disparaged figure, the corn trade middleman, qualified now by the Scottish philosopher as the true provisioner of grain in times and places of dearth, a most useful role that could only be performed if the market was kept free from government regulations and in a natural state of competition. When farmers are obliged to build granaries and act as dealers of their own crops for lack of a middleman, capital for cultivation and the advantages from the division of labour are lost. Bounties and duties, for Smith, constituted relics of the old mercantile system which resulted in capital and labour being locked up in unprofitable trades, hurting the people by making goods dearer than they would otherwise be and only aggravating the problems those regulations were supposed to mitigate (Smith [1776] 1976: 524-543; for some exceptions contemplated by Smith, see Magnusson 2004: 30-36). Especially interesting is what the *Wealth of Nations* teaches about retaliatory duties and prohibitions in the sphere of foreign exchanges:

Those workmen, however, who suffered by our neighbour's prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbour's prohibition, but of some other class (Smith [1776] 1976: 468).

Torrens, then still faithful to Smith's lessons, pleaded for the corn trade to be left unhindered between borders, since freedom of commerce was the most efficient strategy to achieve stability in the price of corn and thus to eradicate famine from the family of nations.³ Contrariwise, the then prospective reintroduction of a high duty on the importation of corn was to trigger several negative and connected effects over the British economy. As demand tends to outstrip domestic supply, the price of corn raises. Since wages will follow the increase in prices, the higher cost of labour throughout the economy reduces the exportation of manufactured goods. When domestic agriculture is finally hit by the contraction in the urban economy, corn prices come down, less productive lands are thrown out of cultivation, and rent declines in superior plots. Deflation sets in with full force. Unless domestic corn prices and wages could easily adjust to a lower level, wide-ranging damage to manufacturing and agricultural interests would unavoidably come about from protection. The sole encouragement that agriculture should receive, in Torrens's opinion, was the one naturally springing from the prosperity of manufactures and the consequent cheapening of artefacts for tillage and cultivation. He was quite unequivocal about that in his recitation against the prospective Corn Laws:

It would be tantamount to laying a tax upon bread, for the purpose of pensioning off the landed aristocracy. It would be nothing better than legalized robbery, taking the money out of the pockets

by this means diminished, and that, in every case, to a greater degree than the amount of the sum which represents the demand abstracted" (Maitland 1804: 88-89; see also Fetter 1945).

³ It is in this pamphlet that Torrens introduces the principle of comparative advantages, when arguing that even if England could raise corn as cheap as in Poland and the most fertile lands of the isle were not yet all cultivated, it would still be of England's interest to import Polish corn, since its advantage in manufactures was superior to the one in agriculture (Torrens 1815: 264-265). For opposite assessments of the pioneering character of Torrens's discovery, see Taro Hisamatsu (2016), Roy J. Ruffin (2005), and Douglas Irwin (1996: 101-102).

of the poor and of the industrious, in order to lavish it on the idle and the rich. A forced state of agriculture, with its high scale of rents and prices, even if some extraordinary combination of circumstances should give it permanence, would inflict positive evil on the country (Torrens 1815: 317).

A more incisive way of revealing the dangers of a protected market for domestic corn was presented by Torrens in his 1821 *Essay on the Production of Wealth*. The sympathy towards the Ricardian approach is now more evident, bringing him closer to Say's Law in his contention that economic crisis could only arise from two causes: first, by a disproportion among the supply of the ingredients of capital, to be quickly corrected by market forces; and, second, by the seasonal fluctuations in agriculture.⁴ This last possibility, however, would have far reaching consequences, given that the subsequent adjustment process, after a period of more than average crops and redundant supply, could intensify the initial imbalance in the corn market and spread it all over the economy, conforming a state of general glut.

In this case, after a portion of the growers of corn had abandoned tillage and engaged in the production of clothing and of luxuries, a succession of deficient harvests might occur, and render the supply of grain as defective as it had been before redundant. But a deficient supply of so important an ingredient of capital as corn, is in effect the same thing as a redundant supply of all other articles. Perhaps there is no single cause which operates so injuriously on the prosperity of a country as a fluctuating supply of corn (Torrens 1821: 417-418).

During a couple of months between 1826 and 1827, Torrens served as a member of Parliament for the Borough of Ipswich. The speech delivered by him to the Commons on 30 November 1826 was still in full support of unrestricted free trade, as reported in the annals of the House: "Colonel Torrens protested against the principle, that British manufacturers wanted any protection. All they required was, that their energies should not be oppressed and destroyed by enormous and unnecessary duties" (Hansard 1827: 207). The next section examines why and how Torrens changed this position, favourable to a complete freedom of trade, for a system of commercial policy based on tariff reciprocity.

3. Torrens on commercial policy

In 1841, due to recurrent budget deficits, the Whig leader in Parliament Lord John Russell moved for a change of the prevailing sliding-scale on the price of wheat to a fixed duty of 8s to stimulate imports and the government's revenue. The motion failed to garner enough support. Another similar attempt, a reduction of the duty on sugar stipulated by the 1841 Whig budget, was also defeated by a large margin after a protracted debate. Lord Melbourne premiership (1835-1841) came to an end soon afterwards and the next election brought the Tories back to power under Peel's leadership after a decade in opposition. Besides that, the Anti-Corn League, including its leader Cobden, elected several of its members to the new Parliament, pressing tirelessly for a full repeal of the Corn Laws (Jenkins 1999: 65-134). That was the political environment where Colonel Torrens presented, in a series of letters firstly published in 1841 under the title *The Budget*, his contentious case for a protective policy by Britain based on tariff retaliation.

As Lionel Robbins (1958: 191-194) has indicated, while Torrens's new stance regarding free trade matured during the 1830s, the idea first came up in the fourth edition of his *Essay*

⁴ By Say's Law, or Mr Mill's Principle, as it was referred to sometimes by Ricardo, we mean the basic proposition, current after the Napoleonic Wars, that any contraction in consumption, investment or exports, would be always balanced, after a reasonable time for the necessary adjustments, by the corresponding increase in another kind of expenditure, so that widespread deflation or excess supply were impossible to take place. Economic crises could occur, though, as per Ricardo, James Mill and Jean-Baptiste Say, because of temporary miscalculations of producers, government's undue interference on markets or the action of natural forces (see Peach 2009: 87-144; Hollander 1979: 500-513; Baumol 1977).

on *Corn Trade* (1827), motivated by Ricardo's observations on foreign trade put forth in the *Principles*. In brief, it was Ricardo's position that the law of value in domestic exchange does not apply to international trade because capital and labour cannot move easily across national borders, hampering thus the levelling of profit rates in an international scale. Precious metals, in such situation, are distributed among nations in proportion to their mutual interchange, as if these operations were conducted only in barter. The country capable of producing something cheap and in large demand would accumulate considerable amounts of gold and silver in detriment of its commercial partners. Yet, in case a trade imbalance was registered between two nations as result of the adoption of bounties, duties or taxes, then the one in deficit must settle the difference with gold or silver. This, however, causes the money supply to change in both the receiving and paying ends of the business, so that domestic prices will move in parallel, respectively, to a higher and a lower plateau (Ricardo 1951-71, v. I: 37-142, 341-343; on this, see also Faccarello 2015).

Torrens seized upon this rather simple idea to claim then that when a country goes for free trade unilaterally, whereas some of its partners protect their domestic markets, the former would fall victim of a trap. In the *Essay on Corn Trade*, although the presentation is still somewhat marred, Torrens manages to get across that if Poland did not allow the free importation of British cloth, while Britain imports corn duty-free from Poland, the deficit would have to be made good through the shipment of gold. At this point, though, Torrens identifies a huge problem for Britain during the adjustment process, since a new equilibrium could only obtain after all contracts are discharged and new ones agreed upon based on the current price level. Meantime, deflation would set in with all its pernicious effects on sales, profits, and employment that Torrens was so keen on advising against. In a country like post-war Britain, that would mean also a sensible increase in the real burden of the massive public debt, requiring along with that a raise in taxation to make up for the shrinking government revenues.⁵ The only remedy to counteract the concomitant fall in money supply, prices, and wages following the decision for unconditional free trade would be a policy of reciprocity, imposing duties as high as the ones afflicting British manufactures abroad:

If the legislature, without previously adopting measures, either direct or indirect, for re-adjusting the standard of money, were suddenly to admit foreign corn, duty free, a commercial crisis would ensue, more terrific than any which has hitherto occurred; the pressure of taxation would become intolerable, and the national creditor could not be paid (Torrens 1827: 426).

It seemed logical for Torrens, therefore, to fall back on his former proposition of reciprocity on commercial policy when the 1841 Whig budget was put forward stipulating cuts in duties on colonial commodities. This time around, though, Torrens's position in *The Budget* had already evolved towards a slightly diverse conception.⁶ Speaking to Lord John Russell in the book's second letter, the Colonel began explaining his two principles of international trade analysis: first, that the necessaries of life have different prices in distinct countries, and second, that protective duties play a large role on how precious metals are apportioned to each economy (Torrens 1844, 24-26). Let us now take a brief look at how he conceived his famous

⁵ Along the Napoleonic Wars, Britain's public debt rose from £238 million in 1793 to £902 million in 1816, its peak as proportion of the gross national product for the whole nineteenth century, while the income-tax introduced during the war years was discontinued in 1816 to relieve the post-war distress. The dire fiscal situation of the time elicited a public cry for cheap government over the following decades (Gash 1970).

⁶ On 11 July 1832, after the Reform Act, under which one seat was distributed to Ashburton, Torrens announced his candidacy from Bolton (Kawai 2006, 39). A series of letters authored by him on commercial and financial issues were published in the Bolton Chronicle between 6 October 1832 and 19 January 1833, later collected and re-published as a booklet entitled *Letters on Commercial Policy*, where he further developed his views on foreign trade and reciprocity.

example of the exchanges on sugar and cloth between Cuba and England (on this see Robbins 1958: 200-204 and Fujimoto 1997: 60-62).

If, from an original condition of free trade between both countries, Cuba decides to levy a duty of a hundred per cent on British cloth, then, under a supposition of constancy of total expenditure by Cuban consumers, cloth exports by Britain fall exactly by half in quantity. Sugar, however, free from any duty, continues to be imported in the same volume and price by British costumers. The merchants dealing with sugar now need to settle their accounts with Cuba half in cloth and the other half in gold. Monetary circulation, therefore, progressively increases in Cuba and contracts in Britain, until both domestic price levels are fully adjusted to the new condition, that is, one in which the price of cloth is cut in half and the price of sugar doubled. Britain receives now only half weight of sugar for unity of exported cloth, so that the terms of trade, measured as the quotient between export and import prices, have moved to the benefit of Cuba (see Table 1 below for the initial and final position of both countries in Torrens's example). And, not only that, but the deflation also which occasioned such outcome would have left a dreary trail of liquidation and unemployment in its path all over the British isle. The only remedy for Britain to avoid such misfortune would be the adoption of an *ad valorem* duty on sugar equivalent to the one levied by Cuba on its cloth. In usual fashion, Torrens did not mince words when preaching disaster around:

The loss of wealth occasioned by her receiving a less quantity of foreign produce in exchange for the same quantity of exported goods, would be the least portion of the evil inflicted upon England by the change which has been described. Under the circumstances assumed, the abstraction of the precious metals, the contraction of the circulation, the fall in the money price of all domestic products, the increase in the value of all fixed salaries and charges, and the augmented pressure of the debt, would concur in creating a crisis more calamitous than any that has actually been experienced. National bankruptcy and revolution would be the probable results (Torrens 1844: 37).

Table 1. Torrens's example: The Cuba-England trade

Exports		(a) Free trade				
Country	Sugar (cwt)	Cloth (bales)	Price	Duty	Circulation £	Terms of trade
Cuba	1.500.000		30s	0	30.000.000	1,0
England		1.500.000	30s	0	30.000.000	1,0
Exports		(b) 100% Duty on cloth				
Country	Sugar (cwt)	Cloth (bales)	Unit Price	Duty	Circulation £	Terms of trade
Cuba	750.000		40s	100%	40.000.000	2,0
England		1.500.000	20s	0	20.000.000	0,5

Source: Torrens (1844: 29-33). £ 1=20 shillings; cwt=hundredweight.

The turnabout in the Colonel's free trade stance reached completion in his 1841 third letter of *The Budget*, addressed to Peel. Torrens advises now as the best commercial policy for British interests a customs union between England and its foreign possessions, so that they could constitute a single trading bloc within their shared borders. The advantages coming from this new arrangement would be plain to apprehend. First, free trade would prevail over a large swath of territory, as if the colonies were simple extensions of the mother country, so that all

parties involved would reap the full benefits of a more extensive geographical division of labour. Second, the large market of the trading bloc could be used as a leverage in commercial negotiations with individual countries, offering them ample outlets for their products in case of reciprocal tariff reductions that, otherwise, could be hard to achieve through single-handed talks. Thus, we see that what Torrens is doing indeed is advocating protection, by mean of a British colonial Zollverein, as the most expedient path to reach free trade in universal scale.⁷ As he framed the matter:

It is by the extension of our colonial system and by the expansion of colonial markets, we can most effectually sustain the prosperity of the country against the rivalry of Europe and create new worlds to adjust the balance of the old. Nor is this all. By extending our colonial system and opening new and expanding markets in our transmarine dependencies, coupled with the rigid enforcement of the principle of reciprocity, we may arm ourselves with accumulating force to break down hostile tariffs, and to establish free trade throughout the world (Torrens 1844: 66; see also *Letter IV to Lord Stanley*).

At this stage, some comments on Torrens's reciprocity prescription are in order before coming to contemporary reactions to it. Despite his self-professed loyalty to Ricardo's doctrine and method, expressed in his first letter to Russell, Torrens was indeed more interested in the events during transition periods, an aspect of economic analysis that Ricardo had left aside by focusing strictly in the long-term effects of economic policies (Hisamatsu 2018). Moreover, Ricardo himself did not think much of the negative impact of money flows between trading countries. He actually dismissed such transferences as a minor inconvenience, to be sorted out, during a deflation period in which gold is being shipped abroad, by the increase in exports induced by falling prices, as projected by the traditional price-specie flow mechanism.⁸ According to the chapter on foreign trade of the *Principles*:

By the abstraction of money from one country, and the accumulation of it in another, all commodities are affected in price, and consequently encouragement is given to the exportation of many more commodities besides money, which will therefore prevent so great an effect from taking place on the value of money in the two countries as might otherwise be expected (Ricardo 1951-73, v. I: 141).

Perhaps the greatest limitation of Torrens's analysis lies in the fact that in most of his reasonings about money flows and reciprocity in trade, he simply assumed the profit rate in each country as unaffected by tariff policies. That, of course, was quite apart from what he had pressed upon along successive editions (from the second to the fifth one) of the *Essay on Corn Trade*, even showing numerically how Britain's and America's domestic profit rates would register a notable increase if both countries opted for a free trade policy toward each other (Torrens 1820, 408-411; Arthmar 2014; Hisamatsu 2009). After his previous rant against unilateral free trade, Torrens candidly acknowledges, in the third letter of *The Budget*, that his reciprocity policy would not fit very well the case of imported raw materials, when it would be more convenient instead to eliminate every duty unconditionally.

The general principle, that we should remit the duties upon import in favour of those countries only which receive British goods upon terms equally favourable, is liable to an important limitation. Materials employed in reproduction should be admitted duty free. The reason is obvious. Wealth

⁷ According to Bernard Semmel, Torrens's notion of a customs union within the British Empire might be interpreted as an ideal-type of free-trade mercantilism, with lasting influence over British political thought: "Torrens saw not only the need for colonization to prevent a free trade from compounding England's difficulties, but also insisted on the necessity of securing reciprocal tariff advantages from foreign countries. In his analysis and proposals, he anticipated much of the neo-mercantile imperialism to be advocated by Joseph Chamberlain, over half a century later" (Semmel 1970: 226).

⁸ The mechanism was first brought into prominence by Hume in his 1752 essay *On the Balance of Trade* (Hume [1752] 1997: 24-30).

is increased as the quantity of labour required to produce a given result is diminished (Torrens 1844, 63).

The same exception, however, can be extended to all goods that enter the ordinary consumption of wage-earners, be they of agricultural or manufacturing origin. In that condition, these commodities might be considered as crucial elements to the continuous provision of the most important ingredient of capital, that is, labour. If Cuban sugar in England or British cloth in Poland are made dearer by a protective duty, domestic wages must go up and the profit rate, therefore, decline in England and Poland, according to the basic Ricardian model. In that situation, Torrens's principle of reciprocity turns out relevant only to those goods that are neither raw materials nor part of the working people's enjoyments -not to mention the trade in machinery, which had grown quite significant at that time-, and therefore do not materially affect the profit rate. Once all these items are left out of the reciprocity picture, there is neither much of interest left to look at nor any substantive reason for Torrens to quarrel about with orthodox free traders. That, as we are going to see, was far from being the case.

4. T. Perronet-Thompson's and Herman Merivale's replies to Torrens

Fire on Torrens's reciprocity doctrine proceeded immediately from free trade quarters after the idea gained some currency within intellectual and political circles (see Irwin 1998: 129-144).⁹ Already famous for his 1827 *Catechism of the Corn Laws*, Perronet-Thompson did not allow Torrens's homily against unilateral free trade pass unchallenged. In his 1833 *Letters on Commercial Policy*, the Colonel had insisted again on the suitability of a commercial policy based on two principles: first, to lower the duties on the importation from countries willing to receive British goods on equivalent terms, and, second, to lay heavy duties on the importation of all goods, except "first necessities", from countries that penalized British exports (Torrens, 1833: 7).¹⁰

In a piece published that same year in *The Westminster Review*, Perronet-Thompson, a talented debater, espoused a Smithian line of reasoning and contended that Torrens's conclusions rested on the supposition that the astute merchants of the British nation would deliberately incur losses in their dealings with foreign countries, it being an obligation of the government to fix the situation by forcing these traders to do business where less was to be gained. But sending gold to places where it is more valuable, as in Torrens's example, is a source of public wealth indeed, explained Perronet-Thompson, instead of impoverishment, since the exports of the metal must be treated like any other commodity, as Smith had taught. And what is more interesting, Perronet-Thompson adverted as well that eventual shipments of gold abroad would be trifling when compared to the whole stock of the precious metal accumulated within the nation, the same being valid for any other article negotiated in Britain. Whatever is sent out of the country has its domestic value increased, be it gold, coffee or whatever. This fact, though, was no sufficient reason to interfere with freedom of commerce.

⁹ Torrens brought the issue of reciprocity before the Political Economy Club in 1835. John Lewis Mallet, reporting the discussions, wrote in his diary, dated 8 May 1835: "He [Torrens] claimed the right to discuss any abstract proposition with a view to the establishing a principle, but it was overruled in the present case which did not go to *establish* but to *disturb* a principle, that of Free Trade upon grounds altogether hypothetical" (Political Economy Club 1921: 270, original emphasis).

¹⁰ It is worth noting here that 'first necessities', including corn, was exempted from the mass of imported commodities on which the retaliating duties should be laid upon. That is, Torrens at the time was still trying to avoid a head-on clash with the Corn Laws. Yasuo Kawai (2006, 42) points out, though, that there was no such 'escape clause' when the letter dated 6 October 1833, including the above principles, was first published in the *Bolton Chronicle*, although Robbins (1958: 295) and Giancarlo de Vivo (2000: i) argue that there were no important alterations between the two versions.

There was indeed, for the free trade polemist, a great deal of exaggeration in Torrens's warnings about the alleged perils of deflation and the resulting call for retaliatory tariffs:

Trade therefore is to be stopped, and the loss of its substantial profits incurred, lest an insensible fluctuation, which in the aggregate amounts to nothing, should take place in the value of such pre-arranged bargains as are expressed in gold. Exactly the reason might be urged, for preventing the fluctuations that might take place in the value of bargains made for coffee (Perronet-Thompson 1833: 171).

As Perronet-Thompson frames it, preventing British merchants from buying French wine to force them going for the Portuguese substitute, as suggested by the reciprocity formula, was like carrying the geese by the neck over the lake for fear of their getting drowned (Perronet-Thompson 1833, 173-174). Torrens's should have been smarter than this, said the free trader, but the gist of the Colonel's argument must have been lost in the extensive minutiae of his examples, which, for Perronet-Thompson, covered a large surface but in quite small concentration. Perhaps, fancies he, Torrens was only trying to state that because gold can buy more in France than in Britain, it should therefore be prohibited to the British citizen to spend his sovereign across the Channel (Perronet-Thompson 1833: 175-176).

Another assault on Torrens's theory of foreign commerce would proceed from the lectern of the Oxford professor Merivale, during his speeches on colonization delivered between 1839 and 1841. The professor was as well a faithful free trader of Smithian descent, and that is how he critically appraised the whole colonial system that loomed so large to Torrens's eyes. Merivale believed the main loser on this kind of outdated arrangement was the mother country, through the tariff preference conceded to colonial production. Such policy was hurting Britain's interests in three major ways. First, by the loss of national income consequent on the higher costs of colonial commodities and the abdication of the gains to be secured through free trade. Second, by the higher prices of colonial imports, like sugar, which harmed particularly the whole body of British consumers, unable to buy their daily provisions at lower prices from other countries. Lastly, by the poor quality of colonial raw materials, like timber, which raised the cost and reduced the durability of British vessels, when the closer Baltic timber was cheaper and more resilient to the elements (Merivale 1841: 199-204).

Regarding the reciprocity doctrine, Merivale, in a note to his Lecture VIII on colonial trade, sees it simply as a farfetched scheme unsuitable to a more realistic context of multilateral trade and international competition. When Cuba succeeds in drawing British gold to itself, observes Merivale, its prices are raised, as conceded by Torrens himself. But such change, by making British goods cheaper at the same time, would turn the Brazilian sugar, that was supposedly costlier than its Cuban similar, more competitive and likely less expensive now due to the fall in price of British manufactured goods imported into Brazil. Through the working of the price-specie-flow mechanism within the context of multilateral trade, the whole outcome of all gold transfers and price adjustments conceived by Torrens would amount, in the end, to the Brazilian sugar taking over the British market and leaving Cuba ruined for lack of adequate outlets to its own production. Minimum losses hence would be inflicted on Britain. As Merivale expressed it:

And if the Cuba tariff is persisted in, the effect must very soon be, that Cuba sugar is entirely driven out of the field, and Brazil sugar supplies its place. England loses to the amount of 5 per cent, at the utmost on the exchangeable value of her cloth, by its exclusion from the ports of the cheapest sugar-growing country; but the foreign commerce of Cuba is absolutely ruined (Merivale 1841: 309).

Let us look now at how the debate evolved afterwards with the intervention of Nassau Senior and James Lawson, who would elaborate more articulate objections to Torrens's reciprocity doctrine.

5. Nassau W. Senior and James A. Lawson on utility and commerce

Considered by Joseph Schumpeter (1954: 484-486) one of the great classical economists of the nineteenth century, Senior formulated the most detailed refutation of Torrens's reciprocity thesis. Upholding Smith's legacy, Senior was a staunch advocate of the free trade doctrine, which meant likewise he saw himself as a fierce enemy of what he called "experience" or "common-sense" economics, that is, the Tory conception of foreign commerce. The decision on a definite move for free trade by Britain was, for him, as momentous as the Reformation had been long before for freeing mankind's thought from obstinate opinion. Working in favour of the protective system, however, were long tradition and pre-conceived ideas, while freedom of commerce, an untried policy until then, had to fight its way among the prejudiced mind of men. The mercantile system, for Senior, was nothing else than sheer barbarism, a tragic compound of theoretical and practical error which cared only for the benefit of restricted classes of producers, without taking into consideration the interests of the general population. In a fragment sounding very much like Smith, Senior wrote in his 1827 *Introductory Lecture to Political Economy*:

Those who first practised it in modern Europe, (and our maxims of Political Economy have no earlier origin,) those who first endeavoured to employ the powers of government in influencing the production, distribution, and consumption of wealth, were semi-barbarous sovereigns, considering their subjects not as a trust, but a property, and desirous only to turn that property to the best and readiest account. Their advisers were landholders, merchants, and manufacturers, each anxious only for his own immediate gain, and caring little how the rest of society might be affected by the monopoly he extorted (Senior 1827: 28-29).

When Senior came to comment on Torrens's reciprocity policy, in the article "Free Trade and Retaliation", published in the 1843 July-October issue of the *Edinburgh Review*, his obvious opening salvo consisted exactly in associating the proposal of retaliatory duties with the old mercantile ideas. Free trade was a living movement, said Senior, denied only within Parliament walls because of both the preponderance of landowners there and the submissive character of the British public. And what was almost prophetic, Senior realized that although the Whigs could never garner sufficient votes to repeal the Corn Laws, enlightened Tories might achieve that by counting on firm backing from the opposition. That represented a huge step forward anyway, which had only been achieved by the relentless struggle for reform of previous Whig cabinets, notwithstanding their incapacity to pass more substantive legislation on free trade:¹¹

They failed, as was foreseen by everyone who was acquainted with the prejudices and the interests which they dared to oppose. But their sacrifice of office was not made in vain. Their successors have indeed thought themselves obliged to maintain some consistency in error: as respects Corn and Sugar, they have thought themselves forced to make the country pay the penalty of their factious opposition to what they know to be right; but on almost all other questions, the principles avowed by Sir Robert Peel and Mr Gladstone differ little from those of Lord Lansdowne and Lord John Russell. And for putting those principles in practice, they have an advantage of which it is scarcely possible to overrate the value. The liberal policy of the Whigs was constantly thwarted by the Opposition; that of the Tories is actively supported by it (Senior 1843: 7).

From a purely economic standpoint, Senior's attack on Torrens's doctrine covered three distinct flanks, namely: first, the total disregard of the economic interdependence among nations; second, the adoption of a strict quantity theory of money; and, finally, the neglect of Britain's prevailing protective system. Initially, Senior drew attention to the fact that Torrens's Cuba-England example had assumed that foreign commodities could be excluded from a country without affecting its overall productivity. Within a developed economic system,

¹¹ Senior is referring to the Whig cabinets of Charles Howick, Earl Grey (22 Nov 1830-39 July 1834) and William Lamb, Second Viscount Melbourne (16 July 1834-14 November 1834 and 18 April 1835-30 August 1841).

though, domestic production expands and immediately fill the void left by the more expensive foreign commodities, although at a higher cost. This loss is compounded still by the misallocation of capital, labour, and land within the nation's borders to produce the formerly imported goods; that reduces, however, the intensity of the division of labour, both at national and international levels, and therefore compromises all around the efficiency of productive efforts. Cuba and England, concludes Senior, would thus suffer by the impediment, caused by the reciprocal duties, to employ their resources to the best uses available to each of them.

It is a great mistake to suppose that a country which rejects the territorial division of labour, suffers merely by the greater dearness of the commodities which it is forced to produce instead of importing them. It incurs a further, and in many cases a greater, injury—in the general diminution of the efficiency of its own industry, occasioned by the misdirection of capital and the diminished division of labour... That a sovereign surrounded by manufacturers, eager to become monopolists, should have fallen into such errors, is not strange—that Colonel Torrens should have done so, is almost unaccountable (Senior 1843: 14).

On the monetary field, Senior went against the simple quantitative approach to money followed by Torrens and pointed out that the key determinant of the value of gold, as well as of all other commodities, was its cost of production. By leaving this factor aside in his example, said Senior, Torrens had failed to notice that if domestic prices fall because of a sudden drain of gold overseas, the metal becomes more valuable internally and would necessarily flow back into the country as soon as British exports to other markets begin to expand, in the way predicted by the price-specie-flow mechanism. The situation, as described by Senior in one of his 1829 lectures, was like trying to change the level of a pond by taking a bucket full of water from one spot and pouring it into another (Senior 1828: 12).¹²

Besides that, adds Senior, the world stock of the precious metals was not a fixed quantity, as Torrens had supposed, being rather constantly expanding, even though in variable pace, by the gold producing countries to attend the international demand for plate, the wear and tear of coins, and the growth in monetary transactions. Considering, however, the wide network of trade, in which all goods are nominally exchanged for gold or silver, Senior observed that little actual transit of precious metals across borders takes place thanks to numerous clearing houses across the world. Furthermore, a nation could always adjust the institutional arrangements of its monetary regime, choosing, for instance, to adopt a bi-metallic standard if need for that arises, or allowing either more paper money to be issued on top of a certain amount of metallic reserves (Senior 1843: 16-29).

Lastly, in his best moment, Senior meets Torrens on empirical ground by assessing the probable effects of a customhouse war between France and Britain basing his analysis on the trade statistics of both countries.¹³ Senior showed that while France imports from Britain comprised mostly materials for its industry and agriculture, Britain got from France mainly finished goods to the consumption of well-off individuals. Thus, the laying of a duty on British goods by France could not fail to hurt the overall efficiency of French labour, making its

¹² Or yet, in Marian Bowley's words, commenting on Senior's theory of international trade, the gold receiving country, whose prices would have been raised, would face the reverse effect: "Since the efficiency of labour etc. would be decreased, the cost of obtaining money would be increased, and therefore the specie gained by the imposition of tariffs in the first place would rapidly be lost again" (Bowley 1949: 225).

¹³ Irwin (1996, 105-107) considers Senior's response to the reciprocity proposition as weak, but by going carefully through the data on French imports, the Oxford professor introduced an empirical element into the discussion that caught Torrens unguarded on a quite alien terrain. That Torrens accused Senior's blow can be verified by his uncharacteristic long digression on the relevance of deductive reasoning put forth in the introduction to the 1844 edition of *The Budget* (Torrens 1844: v-lxxii). It is worth noticing here that at that very same year, 1843, Senior became a corresponding member of the Academy of Moral and Political Sciences of the French Institute.

commodities more expensive and, therefore, less attractive to domestic and foreign customers alike, so that gold would tend indeed to move out of the country. Meanwhile, not only could Britain easily divert to France some of the gold continuously coming in for re-export, but it could also redirect more of its basic commodities to attend the home demand or to compete with France in third markets at lower prices. Thus, for Senior, the prevalence of Say's Law on the domestic and world scales would prevent any catastrophe to ever hit Britain from the levy of a duty on its exports by its continental neighbour:

The only result of the diminution of our trade with France, would be a rather larger supply of these commodities in the market than before. But unless we believe in the possibility of a general glut—unless we believe that everybody can have too much of everything—we cannot believe that the produce of the labour of 25,000 families, or of L.1,000,000 worth of capital, would want a market. Every year more than double that number of families are added to our population, and several millions to our capital. All these newcomers must be fed, clothed, lodged, and warmed. Nine tenths of them are employed in producing commodities and services, to be exchanged against those which they require themselves. Not only the home market but the foreign market is constantly expanding itself (Senior 1843: 33).

Britain, for its part, would also be hurt in the efficiency of its labour by a retaliation against French goods, although in a lesser intensity than France by reason of its weaker dependency on French raw materials. Perhaps the only country capable of seriously disrupting British foreign accounts, indicates Senior, was America due to the sheer size of their mutual trade. Be that as it may, he recalled that Britain had historically induced other nations to adopt a restrictive policy as an answer to its long-standing protective system. There was no need for further tariff-wars because that had already been the main feature of world commerce over the last two centuries. Foreign nations would do more harm to themselves than to Britain by hardening their protective system still further. As Britain have been setting the standard for restrictive policies around the world, it was high time for British politicians to move the country beyond threats and menaces and adopt instead free trade as a model for enhancing reciprocal trade and assuring peace among nations (Senior 1843: 44-47).

Moving now to the criticism of the reciprocity doctrine put forward by Lawson, his observations, delivered in a series of lectures in 1843, are rather close to Senior's arguments, so we may focus only on the novel element in his approach. Since Lawson understands utility as the ultimate source of value, what would be the benefit, he asks, of possessing more gold instead of more corn? If people want to part with their gold in exchange for foreign goods, what is the point, in a regime of liberty, to force them to go without corn instead of gold, as suggested by Torrens? Contrary to what was generally accepted, continues Lawson, foreign commerce is important for what it allows a country to import, and not for what it exports. The reason is that the wealth available for the people's gratification comes either from their own productive exertions or from abroad, through the exchange of goods. If gains are to be measured by utility, the instantaneous and obvious effect of a duty by Cuba on British cloth would be that British costumers could now have the enjoyments of the same amount of sugar, but with more cloth available to themselves -or whatever could be produced with the capital and labour formerly employed in its production-, while Cuban consumers would have to go about consuming the same amount of sugar, but half the cloth formerly imported. Here, of course, Lawson counterposes Say's Law as the major force to neutralize any potential Torrens-Lauderdale-style deflationary process.¹⁴ Or, as he explains the effect of the Cuba duty on British cloth:

¹⁴ As stated by Lawson in one of his lectures: "Experience and knowledge of human nature tell us that the desires of men increase by the very food supplied to them, and that there never was, and never will be, a community, where all the desires of all its members were fully gratified. To say, therefore, that there may be too much of everything produced amounts to an absurdity" (Lawson 1844: 47).

The result therefore would be altogether favourable to England; she need only employ as much labour and capital as would make 750,000 bales of cloth, and the labour before required for the other 750,000 might be applied to some other purpose; or, if it was still employed in the same way, she would have the enjoyment at home of 750,000 bales of cloth, in addition to her usual supply of sugar, while the Cuba consumers would only have half their former supply of cloth, while they should devote the same amount of labour and capital to the making of sugar, and the only benefit derived by them would be an increased supply of gold, for which they are obliged to pay this penalty; and England, for the loss of the gold, would reap the advantages I have stated (Lawson 1844: 141).

The validity of Lawson's argument depends, of course, on the crucial assumption that although some gold might end up moving from Britain to Cuba after the duty gambit by the latter, the posterior price-effects devised by Torrens would be short-circuited by the automatic expansion in home or foreign demand for the redundant cloth, or for the resources applied to its production in order to manufacture some other useful things. Therefore, the fifty per cent fall in cloth prices supposed by Torrens would not take place, nor the afterwards transfers of gold needed to effect sensible changes in the price levels of both countries, so that the Cuban price of sugar could never increase a hundred per cent.

6. Torrens's reply to free traders

The reaction of Torrens to Perronet-Thompson's criticism appeared in a letter to the *Boston Chronicle*, in 1833, where the former simply dismissed the latter's comments as 'comical speculations' from someone totally unfamiliar with the principles of political economy. There would never happen of a branch of foreign trade being more profitable than others, be that under a regime of protection or free trade, stated Torrens, because competition would always assure a common profit rate for all merchants. The imposition of duties or the widening of protection could only affect the direction of trade, whose gains depended indeed on the effects of restriction on the profits at the industry level. Deflation due to a contraction of gold circulation would have real effects over real wages and profits that Perronet-Thompson, regrettably, would never be able to suspect. That kind of reasoning, said Torrens, was beyond his antagonist's mental powers (Torrens 1833: 56-63).

In the 1844 edition of *The Budget*, Torrens included an extensive Letter X as a direct reply to Senior's criticisms of the reciprocity rule.¹⁵ Despite its length, it is possible to discern three chief trains of thought in the Colonel's piece. Initially, he sought to dismiss right away the accusation of his ideas being merely a refurbished version of the old mercantile system.¹⁶ Instead, he reaffirmed his commitment to Ricardo's theory of foreign trade, as well as to the freedom of commerce principle. Also, he indicated that his approach to commercial policy was not a novel idea, having instead been developed over the years. By being associated with the protective wing of political economy, however, Torrens is cornered by Senior into the uncomfortable position of having to go against Smith's highly persuasive raid on the

¹⁵ There is an error in the 1844 edition of *The Budget*, with the number of what should have been page 380 changed back to 332 and following this wrong order to the end of the book. This misplaced numeration is indicated, in what follows, by an asterisk.

¹⁶ Senior's criticism on this point must be interpreted as a rhetorical, albeit effective, device. Torrens's indeed never wavered his negative attitude towards the balance-of-trade doctrine, even in his later days. When he republished *The Economists Refuted*, in 1857, even though there are some alterations from the original edition, Torrens left the following sentence untouched: "the whole theory of the balance of trade is absurd" (Torrens [1808] 1993, 36; Torrens 1857, 52). We can also find passages which indicate Torrens's refutation of the mercantile doctrine in his other writings. For instance, in the fourth edition of his *Essay on the Corn Trade*, one reads: "The leading doctrine of the mercantile system, that foreign trade enriches a country, by causing the importation of gold and silver, is now universally admitted to be erroneous" (Torrens 1827: 425; see also [1820] 2000: 4).

mercantile system by denying the pertinence of the Scottish writer's well-known defence of free trade:

Though Adam Smith is, with the single exception of Ricardo, our highest authority upon questions of economical science, yet his decisions cannot be regarded as entitled to any weight or influence, when, as in the passage quoted above [see section 2], they happen to be at variance with the great fundamental principles which he has himself established. Adam Smith is the founder of the labour theory of wealth, as distinguished from the money theory of the old mercantile school. His cardinal positions are, that labour is the source of wealth; that nations become opulent in proportion to the efficacy with which their labour is applied; and that labour is the measure of value, and the real and original price at which every commodity is purchased (Torrens 1844: 358*).

After that, Torrens deals with the argument that a tariff-war would occasion less trade among nations and, therefore, higher production costs all around by reason of the reduced scale of the territorial division of labour. Now, he basically circumscribed the validity of his conclusions solely for finished goods, excluding all kinds of raw materials from the reciprocity policy, but without going into further detail on the precise nature of these goods or ever trying to distinguish between the basic and superfluous ones. Instead, Torrens accuses Senior of misrepresenting his ideas -which the Colonel insisted have been always favourable to free trade-, and thus sacrificing the principles of science on the altar of political expediency: "Your conduct might be accounted for on the supposition that your character, as a philosophic inquirer, has been merged and lost in that of a thoroughgoing partisan" (Torrens 1844: 379*).

What Senior and the free traders such as Cobden were doing, Torrens kept on, would not stop at the repeal of the Corn Laws. Once the Anti-Corn League and its supporters took over, radical changes would follow one another, subverting at last Britain's whole political structure by extinguishing the landed aristocracy, Parliament and even the monarchy. That, however, would not be all, for economic calamity and famine, as never seen before, would as well strike the whole kingdom following the massive destruction of agricultural capital after foreign grain were freely allowed into the country. Contradicting all that he just had stated, Torrens once more prophesies terrible consequences for the British nation after the looming repeal of the Corn Laws, the implementation of an open ports policy, and the resulting more perfect division of labour:

But when, as is the case in this country, a large proportion of the articles of sustenance and comfort consumed by the working classes, and also of the materials and instruments employed in the various processes of industry, are the products of foreign labour; when trade is carried on to a considerable extent on borrowed capital; when protracted operations are conducted through the complicated involutions of credit; when the relations of debtor and creditor extend throughout all the ramifications of society; and when the interest of an enormous public debt has to be extracted from the earnings of the people, then a decline in the value of domestic, as compared with foreign labour—a diminished command over the precious metals and a general fall of prices, are amongst the most disastrous and ruinous afflictions with which a nation can be visited (Torrens 1844: 388).

The 1844 edition of *The Budget* also contains a brief note on Merivale's objections to Torrens's reciprocity policy. As seen, the former had predicted that Brazilian sugar would overtake Cuba's in British markets in case a protective duty on cloth were imposed by the latter country. The Colonel is forced to admit, rather unwillingly, that such an outcome would be genuine possibility within the context of multilateral trade, when Cuba alone lays a duty on British cloth. "Now", he wrote, "if this assumption bore any resemblance to actual circumstances, the Cuba tariff would have a very slender effect in altering the terms of international exchange to the disadvantage of England" (Torrens 1844: 358). Despite the concession, Torrens reaffirms that by Cuba he meant all foreign countries trading with England, and that this very assumption was somehow more realistic than the one championed by his contender. England, therefore, would have no way to evade the perverse effects of a foreign duty on its exports (Torrens 1844, 357-363).

Finally, in his introductory section to the 1844 edition of *The Budget*, Torrens addressed Professor Lawson's remarks about the Cuba-England example, and accused him of faulty logic by not being attentive to the final prices of sugar and cloth after all gold movements between both countries were over. But that is not a well targeted argument by the Colonel, since, as we have indicated, Lawson had limited his analysis to the initial stage of the process, contending that it would not degenerate into a full deflation in England due to the swift action of Say's Law after Cuba imposes its duty on British cloth. Torrens, however, saw the whole attempt at refuting his reciprocity principle as an utter failure. "When affirmation is demonstration and 20 equivalent to 40, the defence [of free trade] will be triumphant" (Torrens 1844: lvii).

7. Concluding remarks

Torrens, along with Ricardo, was perhaps the classical economist more predisposed to extract rules of economic policy from very abstract schemes. That he succeeded in having his reciprocity doctrine embraced by a few politicians of Tory colours, who preferred to put forth historical and strategic arguments in favour of the Corn Laws, is testimony to the efficacy, at least within protective circles, of his complex reasoning. On the other hand, the rather idealistic nature of Torrens's Cuba-England example, built upon very restrictive assumptions, made him an easy, although combative, target to free trade hardliners. Heavy criticism forced him to confine the range of his reciprocity formula to finished goods only, and later to admit as well that it might not even work as expected in the context of multilateral trade. Yet, his wavering rhetoric between free trade and protection allowed his ideas to be brushed away as just old mercantile wine in a new bottle, especially in a period when the tide for free trade was on the rise within British society.

In connection with this last aspect, it is worth of note as well that although Ricardo's theory kept its standing among most economists of the day, the proclaimed opposition between the landed aristocracy and the manufacturing interests played a minor role in the debates just reviewed. The Malthusian proposition, a key part of Ricardo's model, assuring that free trade in corn would fail to revert to higher wages and, hence, to a better condition for the people, was not a proposition to be easily sold around. If anything, what stood out as a fundamental element in the academic free trade discourse was the clear appeal to Say's Law, on both the domestic and international dimensions, to dismiss Torrens's recurrent threat of a deflationary crisis if the Corn Laws ever came to be repealed, as it eventually happened. Certainly, though, the strongest argument in opposition to the protective system, the one that Torrens proved unable to assail, was still the one put forward the previous century by Smith. The benefits of a system of natural liberty, as the Scottish philosopher had argued so convincingly, were all out there, waiting to be reaped by every citizen through more abundant wealth and cheaper prices once that remnant of the long-gone past, the outdated mercantile system, finally got eradicated from the commercial practices of the British nation.

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