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Economic Thinker: Pamphlets, the
National Debt and the South Sea Bubble**

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Archibald Hutcheson's reputation as an economic thinker: pamphlets, the National Debt and the South Sea Bubble

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Abstract

Archibald Hutcheson MP was one of the few contemporaries who wrote about the South Sea Bubble in detailed financial terms. Many commentators simply blamed general causes such as greed, folly or 'jobbing'. Hutcheson was at the centre of the enquiry into the 1720 crash. He has been lauded as a savant and unsung hero of the Bubble. His ideas have permeated the secondary literature of the episode. However, on closer inspection many of his economic ideas are incorrect. Later authors have only selected those statements which fitted with modern viewpoints. A broader selection of his statements in the House of Commons and political writings shows a different picture. Hutcheson was not a financier, but he was one of the first to try to make sense of the Bubble using financial arguments. His work gives great insight into the contemporary social and political context. Ironically, it is not particularly useful with regard to financial theory. This paper will use his writings to show his confused and contradictory approach to the stock market and its participants. Hutcheson struggled to understand the financial innovations and changing social structure which accompanied them. He was a participant in the stock market, but also part of the landed elite. The South Sea Bubble was one of the highpoints of his career. He reminded the public of this with a slew of pamphlets. There is a selection bias in the survival of ephemera from country house libraries. Hutcheson's reputation is in need of revision.

Keywords: Financial Revolution, History of Economic Thought, South Sea Bubble.
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Introduction

Archibald Hutcheson's name appears in many books relating to the South Sea Bubble of 1720. He had a high-profile political role during the episode. He is sometimes cited in the Bubble secondary literature as an economic thinker of note. However, he does not feature in many histories of economic thought. Hutcheson's pamphlets on economic matters usually concerned the National Debt and the South Sea Bubble. These pamphlets are well-known to historians of the South Sea episode, but their impact on other fields of research has been minor. This state of affairs has continued for many years. This paper aims to analyse Hutcheson's methods in order to show that Hutcheson was not an original economic thinker, and some of his ideas would have been easily criticised by a well-informed contemporary. It is necessary to re-evaluate Hutcheson's arguments regarding financial innovations and the South Sea scheme. His work has been used as proof that the scheme was flawed, and that the public should have been wary of it. However, Hutcheson initially argued that the scheme would succeed. He opposed it as it clashed with his own venture. Dale argued that Hutcheson was an economic savant, but this paper attempts to refute that view. Hutcheson has achieved a posthumous reputation as a man who understood that the South Sea scheme would fail, before it did. This is part of the traditional view of the South Sea Company as a fraud which could never work. At the height of the Bubble, Hutcheson did argue that the share price was overvalued. However, this was understood by others, who simply sold their shares for high prices. Hume is one of the few economic thinkers who mentions Hutcheson at all, and only to criticise his schemes for the National Debt. Hutcheson's other writings reveal that he was not particularly talented as a thinker on economic issues. He was hidebound by traditional assumptions about the importance of the landed elite. The historians of economic thought have not overlooked a savant, but ignored someone who made no real contribution to theory. Hutcheson's work cannot be used to argue that the South Sea scheme would never succeed, as it is clear that Hutcheson was biased in favour of his own remedy.

Background to Hutcheson's life and career.

Archibald Hutcheson was a Member of Parliament for Hastings at the time of the South Sea Bubble (1720). Dale described him as a 'professional lawyer and self-taught economist, who may fairly be described as the father of investment analysis'.³ Whether or not this last epithet is true is a matter of debate. This Hutcheson is not to be confused with Francis Hutcheson, the philosopher. The two do not seem to have been related. Archibald Hutcheson was never as influential as his namesake, despite Dale's glowing tribute. However, it is true that Archibald Hutcheson was one of the committee members appointed to investigate the South Sea Affair by the House of Commons. For this, and for his pamphlets, his name is still known. His other activities have attracted less attention.

Hutcheson was born c. 1660, the son of Archibald Hutcheson of County Antrim. He was a Protestant, but opposed to religious persecution of Catholics. After practising as a barrister, he became attorney-general of the Leeward Islands in 1688. He showed leniency to the Catholic population of the islands and was accused of disloyalty to

³ Richard Dale (2004) *The First Crash*, Princeton University Press: Princeton NJ, p.2.

William III. He was cleared of these accusations and retained his post, returning to England in 1704. He was elected Fellow of the Royal Society in 1708. In around 1710, he became legal adviser to the Duke of Ormond, who had extensive estates in Ireland. Hutcheson then accompanied the Duke of Montague on a tour of Germany in 1713. Hutcheson visited several German courts, including Hanover, and spoke in favour of the Hanoverian succession. On his return, he was elected Member of Parliament for Hastings, with Montague's support. Hanham noted that Hutcheson has been regarded as a Tory but also showed allegiance to the Whigs. He became lord commissioner of the Board of Trade in December 1714. However, he resigned in January 1716, after the impeachment of his patron, Ormond. He then married a wealthy widow, Mary, Lady Gayre. This allowed him financial independence. Hanham argued that as Hutcheson was Ormond's creditor, he could not easily sever ties with his patron. The association brought accusations of Jacobitism, especially at the time of the Atterbury plot (1722). Hutcheson continued to represent Hastings until 1727. He continued his legal career, and became one of the lords proprietors of Carolina.⁴

The South Sea affair appears to have been the highpoint of Hutcheson's political career. Otherwise, his name seldom crops up in the secondary literature of political history. Lease noted that Hutcheson argued against the Septennial Act (1716). The act would allow seven years between parliamentary elections, rather than three. Hutcheson worried that this would be the first step to an even longer term of Parliament.⁵ His supposed Jacobitism has been the cause of a war of words between Eveline Cruickshanks and Clyve Jones. Cruickshanks wrote Hutcheson's biography for Romney Sedgwick's history of the House of Commons.⁶ She identified Hutcheson as a Jacobite from 1715 onwards due to his linkage to Ormond. Before this, she wrote that he was 'described as a republican Whig or a Hanoverian Tory under Queen Anne'.⁷ Jones argued that Hutcheson had worked for Ormond since 1710, and was clear that the association was not political.⁸ Jones accused Cruickshanks of poor scholarship in her hunt for Jacobites. Hutcheson had been named as a member of a pro-Jacobite society called the 'Burford Club'. Jones argued that this club never existed.⁹ Cruickshanks countered by claiming that Hutcheson was an active Jacobite. She quoted a letter from the exiled James Stuart in which he wrote of his 'particular regard and esteem' for Hutcheson. She even has Hutcheson leading the Jacobite riots at the Westminster election of 1722.¹⁰ Hutcheson's allegiance was a side issue in a larger debate about the extent of Jacobitism in Hanoverian England. However, Hutcheson's services to Ormond may have led many to think that he was a Jacobite.

⁴ A. A. Hanham (2004) 'Hutcheson, Archibald (c.1660-1740)' in *Oxford Dictionary of National Biography*, Oxford University Press: Oxford.

⁵ Owen C. Lease (1950) 'The Septennial Act of 1716', *Journal of Modern History*, 22, 1, 42-47, p. 43.

⁶ Romney Sedgwick (ed.) (1970) *House of Commons, 1715-1754*, Stationery Office Books: London, 2 vols.

⁷ Eveline Cruickshanks (1994) 'Lord Cowper, Lord Orrery, the Duke of Wharton, and Jacobitism', *Albion*, 26, 1, 27-40, p. 30.

⁸ Clyve Jones (1994) '1720-23 and All That: a reply to Eveline Cruickshanks', *Albion*, 26, 1, 41-53, p. 43.

⁹ Clyve Jones (1991) 'Jacobitism and the Historian: the Case of William, 1st Earl Cowper', *Albion*, 23, 4, 681-96, p. 686.

¹⁰ Eveline Cruickshanks (1998) 'Charles Spencer, Third Earl of Sunderland, and Jacobitism', *English Historical Review*, 113, 450, 65-76, p. 66.

This may be guilt by association, but Hutcheson felt it necessary to refute the allegations publicly.¹¹

Hutcheson and pre-Smithian economic writings

Rather than discussing whether or not Hutcheson was a Jacobite, this paper will discuss whether or not he contributed to economic thought. He wrote about the National Debt and the South Sea scheme. Hutcheson was involved in the parliamentary enquiry into the stock market crash of 1720. His inclusion into the committee may be partly due to his interest in financial and economic matters. He published numerous pamphlets regarding the National Debt and the South Sea scheme, amongst others. Clearly, this made him a better choice than some country gentleman with no knowledge of account books or loans. However, his opposition to the South Sea scheme must also have been a factor. His reasons for doing so have been stated in his lengthy pamphlets. They have provided a ready source of quotations for the later Bubble literature. However, closer readings of his work show that he did not have sound economic reasons to object to the scheme, until the height of the Bubble. Rather, he wished to promote his own solution to the problem of the National Debt. This solution was obviously unworkable. His pamphlets are primarily political, and economic arguments are put to the service of political goals. Many of these arguments rest on traditionalist economic ideas or unconvincing calculations.

Hoppit rightly pointed out that terminology such as Economics or Political Economy was not used at this period. He argued that this was not merely a question of semantics, but rather that there was no separate sphere of Economics. Hoppit noted that economic topics were dispersed across other subject fields.¹² This may reassure those who think of Adam Smith as the father of Economics. So whilst Hutcheson never described himself using the term 'economist', he undoubtedly published a large number of works on the National Debt and the stock market. However, this does not mean that he was an influential thinker amongst contemporaries. Also, there is an issue of whether or not his work makes (economic) sense. There are further problems in judging pre-Smithian writings. Comparing them to modern economic theory can be unfair. The economy and political system of the time was different, and clearly Economics as a subject did not yet exist. So, care must be taken in judging whether a work uses suitable techniques and arguments, given the historical context and the state of economic thought at the time.

A number of people wrote about the stock market or other economic issues. For example, Daniel Defoe wrote a number of tracts. This does not mean that the arguments used were based wholly or partially on economic reasoning. Defoe's *The Villainy of Stock-Jobbers Detected* is not an economic analysis of share-trading.¹³ It is a political attack. However, a contemporary work which made reference to concepts such as interest rates or used calculations would be an economic approach. As Hoppit argued, it is difficult to draw distinct boundaries between economics and other fields at this time. In addition, Roll noted that it is difficult for economists to agree on the

¹¹ Archibald Hutcheson (1722) *Mr. Hutcheson's defence against the aspersions cast upon him in a virulent paper entitled The St. James's journal*, T. Warner: London.

¹² Julian Hoppit (2006) 'The Contexts and Contours of British Economic Literature, 1660-1760', *Historical Journal*, 49, 1, 79-110, p.81-82.

¹³ Daniel Defoe (1701) *The Villainy of Stock-Jobbers Detected*, London.

scope of modern economics.¹⁴ He counselled against notions of a Whig history of economic theory evolving in stages. The claim that a universal set of laws exists for economics was not correct. Roll preferred to highlight the ‘essentially social and historical nature of economics’.¹⁵

Before Adam Smith, others were building the foundations of the discipline we now know as economics. Their work may have been superseded by later writers. As with any discipline, the first attempts may seem clumsy by later standards. However, they highlighted areas of concern which would begin a debate. Pre-Smithian writers grappled with questions regarding the economy, even if the theories and methodologies used are considered incorrect today. Bullionism is a prime example. Under bullionism, the main economic goal of the state is to build up a stock of bullion. If the country is a net exporter of goods and services, and therefore a net importer of bullion, then the goal has been achieved. Adam Smith attacked this idea by arguing that wealth was more than just gold or silver.¹⁶ On their own, these metals are less useful than food or shelter. However, bullionism relies on some of the basic building blocks of many later economic arguments. It included concepts of trade, money or wealth (and confused the two), and state policy regarding the economy. It took some of the components used in later economic theories. It used them in a way now considered to be incorrect. However, bullionism is clearly an attempt to understand the economy. As such, it is a precursor to later economic thinking if only as a counter-example of good practice. Other theories have much less in common with modern economics and rely more on philosophical arguments.

Critiques of usury have some of the same building blocks as bullionism or modern economics, e.g. loans and interest rates. Usually arguments taken from moral philosophy or theology were applied to the debate. Roll noted that Aristotle used ethical arguments against usury which were then taken up by the early Christian church.¹⁷ The topic under debate might be an economic one, but the debate was not undertaken by using economic theories. Rather, the economy was subordinate to other issues such as religious practice or ethics. The explanation of how bullionism functions is a positive statement. Net exports paid for with gold or silver will result in a net inflow of bullion. The discussion of usury’s many faults is a normative debate. Even if some modern economists think that economics is akin to a natural science, it is a social science. Therefore, normative questions will arise. Debates about the national income distribution or regressive taxation relate as much to issues of fairness as to pounds and pence. It is even more difficult to fairly separate pre-Smithian arguments into economic and non-economic arguments. Perhaps it is not appropriate to do so in all cases.

There are some arguments which are impressive attempts to analyse the economy. They were the foremost thinking for their time. The Physiocrats fall under this heading. Amongst other things, they discarded the idea that wealth was due to exchange. They looked to labour as the starting point for their framework.¹⁸ It would be churlish to expect that any thinker or group of thinkers could jump directly from

¹⁴ Eric Roll (1992) *A History of Economic Thought*, Faber and Faber: London, 5th edn.

¹⁵ Roll, *History*, p. 9.

¹⁶ Smith quoted in Roll, *History*, p. 51.

¹⁷ Roll, *History*, p. 22.

¹⁸ See Roll, *History*, p. 111-120.

Mediaeval thought to Classical Economics. Naturally, groups like the Physiocrats were important in their focus on economic questions and their search for new methods of analysis. The problem is to identify worthwhile pre-Smithian approaches from complete nonsense. The purpose here is to work out which category Hutcheson should be in.

Hutcheson did not appear in Schumpeter's wide-ranging work on the history of economic thought.¹⁹ However, he is briefly mentioned by McCulloch with regard to schemes to deal with the National Debt.²⁰ Hutcheson proposed that the National Debt could be paid off if a tax of 10 per cent was levied on all fixed and moveable property. Legal restrictions on the sale of land, such as settlements or entails, would be lifted. McCulloch noted that it was 'wholly impracticable' and 'unjust'. He also quoted from Hume's *Essay on Public Credit*. Hume argued that the tax would be highly regressive and difficult to collect. Hume called Hutcheson an 'excellent citizen' and noted that the proposal was 'much approved of by men of sense, but was never likely to take effect'.²¹ Hume's comments highlight the difficulty in discerning how much weight to put on the judgement of contemporaries. 'Men of sense' might have little grounding in matters of trade, finance or any of the economic writings of the time. Their approval may be due to Hutcheson's political arguments rather than a close scrutiny of the scheme. Hutcheson's scheme would have destroyed the prospects of those dependent on safeguarded land: heirs and widows. It would also have reduced the size of landed estates. Neither of these ideas was likely to be popular with the elite. It is not clear how many people did approve of Hutcheson's scheme.

Hoppit wished to discover which authors on economic questions were considered relevant by contemporaries. He noted that many short works were not sold commercially. They were handed out in order to influence legislation. To judge the success of commercial ventures, Hoppit considered four main issues. Firstly, works could be funded by subscription. He argued that this was a rarity. Secondly, certain works went through a number of editions which might indicate popularity. Carpenter found only four for the years before 1750.²² Thirdly, it might be possible to look at citations. This is hampered by the fact that many authors did not acknowledge their sources. Fourthly, it is possible to look at certain library catalogues, under the proviso that economic literature was not considered particularly important by contemporary guides to library building. The library of John Wilkes (of 'Wilkes and Liberty' fame) was sold in 1764. He had amassed 944 works and only seventeen concerned economics. Hoppit considered the libraries of eleven prominent men, including John Locke, Isaac Newton and Adam Smith. He then searched for works by a list of 28 leading writers of economic literature active before 1750. Some of the figures now considered to be important, such as Gregory King, made little impression. Hoppit added the caveats that ownership of a work does not prove that it was read or was influential. (It should be added that someone can read or discuss a work, without actually owning it.)

¹⁹ Joseph Schumpeter (1954) *History of Economic Analysis*, Allen and Unwin: London.

²⁰ J. R. McCulloch (1975) *A Treatise on the Principles and Practical Influence of Taxation and the Funding System*, D. P. O'Brien (ed.), Scottish Economic Society: Edinburgh, pp. 461-462.

²¹ David Hume (1985) *Essays, Moral, Political, and Literary*, Eugene F. Miller (ed.), Liberty Fund: Indianapolis, p. 361.

²² Carpenter quoted in Hoppit, *Contexts*.

Hoppit also analysed the catalogue of Joseph Massie. Massie created a 'social table' in 1759-60 which attempted to analyse the composition of society. He decided c. 1748 that he wished to collect writing on 'commercial knowledge'. Fifteen authors contributed five or more works to this collection. One of them was Archibald Hutcheson. Hoppit noted that only four of the authors would make it into histories of economic thought.²³ Notably, Hutcheson's name is not amongst them. Nor, does it appear in Wilkes' library.

Taking Hoppit's technique as a starting point, it is possible to hunt for Hutcheson's name elsewhere. Newton was a contemporary and Master of the Mint. (Some of Hoppit's other collectors, such as Locke, died well before Hutcheson's great moment of glory.) Newton's library of 2100 volumes only had 31 works on economic subjects. None was by Archibald Hutcheson.²⁴ Adam Smith did have one work by Hutcheson on the subject of the national debt.²⁵ As Hutcheson wrote pamphlets, not books, this absence may be unsurprising. Also, even the Master of the Mint seemed to devote little space to economic works. On this evidence, books on economic topics do not seem to have been a key part of a private library. However, it seems as if many writers on economic matters preferred to write pamphlets.

Keirn argued that polemical economic literature has been overlooked by historians. Much of Hutcheson's work falls into this category. Keirn also disapproved of Schumpeter's assumption that there was a separate class of economic writers who created systematic treatises, and who were distinguished from those with a political agenda.²⁶ Keirn argued that virtually all economic literature concerned contemporary political problems.²⁷ There are thousands of writings on economics (in the broadest sense) in the Goldsmith's-Kress Library of Economic Literature.²⁸ It is difficult to know how many were widely read or influential. Likewise, it is difficult to know what may have been destroyed over the years. Gregory King's name does not appear amongst the authors in the Goldsmith's-Kress database. Daniel Defoe has 182 works listed. Abel Boyer, whose attack on Hutcheson is discussed below, only has four works. Boyer is not a well-known figure in either economic history or the history of economic thought. He still has more surviving works than King in this collection. At each stage in the process from the publisher's to the library collection, it is unclear how many people read and understood a work. So, studies of the frequency of surviving publications must be undertaken with care.

There are clear issues of selection bias regarding pamphlets. They were printed without strong, protective binding. They sold for small sums or were freely distributed. They were usually focused upon topical issues which would soon be out of date. Therefore, it is likely that the vast majority of them were discarded or easily damaged. However, the print runs for each edition could be large. Only one example needed to escape destruction for it to be available now. A pamphlet has to survive for

²³ Hoppit, *Contexts*.

²⁴ John Harrison (1978) *The library of Isaac Newton*, Cambridge University Press: Cambridge, p1, p.59, p.165.

²⁵ Hiroshi Mizuta (1967) *Adam Smith's Library: a supplement to Bonar's Catalogue with a checklist of the whole library*, Cambridge University Press: Cambridge, p.106.

²⁶ Tim Keirn (1995) 'Monopoly, economic thought, and the Royal African Company' in *Early Modern Conceptions of Property*, John Brewer and Susan Staves (eds), Routledge: London, 427-466, p. 428.

²⁷ Keirn, *Monopoly*, pp. 428-9.

²⁸ See, *The Making of the Modern World: Goldsmith's-Kress Library of Economic Literature*, electronic database, Gale.

decades before it enters the safe haven of an archive. The basis of the Goldsmith's-Kress collection was the collection of Professor Foxwell. He started his task in the second half of the nineteenth century.²⁹ Apparently, he was often able to buy at low prices, sometimes of only a few pence. This implies that many pamphlet works were not particularly valued at this time. In addition, early Georgian pamphlets would have had to have been stored somewhere for over a century, presumably in a private collection. Country house libraries or attics were the most likely home. Large houses had the space to accommodate flotsam and jetsam. They might also remain in the ownership of a particular family for lengthy periods. Smaller homes and frequent house-moves tend to mean that occupants have to clear things out. Pamphlets on old-fashioned topics would seem particularly vulnerable, especially as they were of low value commercially. Works by famous authors might be more likely to survive, as would works which appealed to the landed elite. A work which criticised landowners was not likely to be preserved in their homes. Other classes of people were not as able to maintain collections of printed ephemera for several generations. Their chosen reading material may have been subject to higher rates of attrition. So an author who was able to get a large number of pamphlets printed and who appealed to the landed elite might have more surviving works in the archive. Hutcheson was wealthy enough to pay for a large print run and he was part of the establishment. Other writers were not as fortunate.

There are plenty of Hutcheson's pamphlets available in the archives. In the Goldsmith's-Kress Library there are around 40 examples of his work.³⁰ There is some difficulty in distinguishing reprints as he repackaged existing work under different titles. However, most of the output which survives was published in the years 1718 to 1723. Only ten works have a named publisher and only four have a named seller. The majority are unmarked. Therefore, there is the strongest suspicion that they were self-financed tracts which were dispersed gratis. The pamphlets may have been primarily political literature, designed to swing opinion, or to increase Hutcheson's political profile. It is not clear how many, even of his political supporters, would have felt obliged to read them. Not all the works were related to economic issues. A few were related to his other hobbyhorses, such as the defence of his own political reputation. See for example, *Mr. Hutcheson's defence against the aspersions cast upon him in a virulent paper...*³¹ Hutcheson certainly had the financial means to indulge in vanity publishing, due to his wife's fortune. In Schumpeter's schema of economic writings, he left a category for 'cranks with pet ideas'.³² Hutcheson's decision to regurgitate his arguments repetitively may be the mark of a crank. In the years 1720 to 1721, he published at least fifteen (slightly) different pamphlets. Second or even third editions of his work appeared within the same twelvemonth. Alternatively, this pattern may indicate that Hutcheson was mounting a propaganda campaign and attempting to flood the market with his works.

²⁹ University of London, Senate House Library:
<http://www.shl.lon.ac.uk/specialcollections/goldsmiths/history/foxbibofile.shtml>

³⁰ Margaret Canney and David Knott (1970-1995) *Catalogue of the Goldsmith's Library of Economic Literature*, Cambridge University Press: Cambridge, vol. 1.

³¹ Hutcheson, *Mr Hutcheson's defence*.

³² Schumpeter quoted in Keirn, *Monopoly*, p.428.

The writer 'Freeholder of Great-Britain' wrote a lengthy poem praising Hutcheson.³³ It was published after the Bubble and claimed that Hutcheson's alternative scheme for the National Debt would have been successful:

*If Your elab'rate Schemes had once obtain'd
No Mis'ries had the Common People known*

There is no way of knowing who wrote this, whether they were paid to do so and by whom. Suffice it to say, there is no discussion of the nuts and bolts of Hutcheson's scheme. Rather there is reference to Hutcheson's reputation. The writer looks to the day when 'No Clouds of Malice shall thy Fame O'er-cast'. The date of publication is significant for it is the year of the Atterbury Plot. This was when Hutcheson was under attack and accused of Jacobitism. Therefore, the publication of this anonymous pamphlet is not good evidence that Hutcheson was admired for his economic writings. Rather, the work appeared when he was beleaguered. It is entirely possible that he commissioned it himself. This may be the reason for the use of a pseudonym.

Crank or savant?

Keirn criticised both historians of economic thought and economists of a bias towards the present-day or 'presentism'. He wrote that the former tended to trace the development of a particular idea, and the latter were concerned with judging economic writings against the benchmark of modern economic theory.³⁴ With these caveats in mind, this paper attempts to analyse the economic writings of Hutcheson. Ultimately, it must be decided which category he belongs to. Instead of Schumpeter's scheme, a different one will be used to categorise a writer working (at least partly) on economic issues. In the first category are those who were largely ignored by contemporaries, but whose work is considered interesting by later writers. Hoppit's analysis puts Gregory King into this category. The second category are those considered important to contemporaries, but whose ideas are now considered to be incorrect. This group could be divided into two sub-categories: economic analysis which is absolutely wrong and that which is incorrect relative to modern conditions. The former sub-category is analogous to work on the Theory of Four Humours in medicine. Much of that work was carefully thought out, but incorrect. An economic example might be work based on bullionism. The latter sub-category encompasses much of the writings of those committed to maintaining the social structure of their own time. Elizabethan monopolies could be criticised by economists due to the detrimental effects on consumers. This is to implicitly assume that consumers' rights mattered. Yet, in the Elizabethan world it was the monarch's rights which were paramount. So contemporaries may have this assumption underpinning their work, and still be able to reason soundly. The third category comprises those who were largely overlooked by contemporaries and ignored ever since. They might be undiscovered geniuses or they might be cranks.

The first category contains those prophets ignored in their own time. Whilst one of Hutcheson's tracts appeared in Adam Smith's library, he does not seem to be a favourite of the historians of economic thought. This is despite his frenetic publishing activity and his association with the famous South Sea Bubble. Hutcheson was certainly not forgotten by history. His name appears in many secondary sources

³³ Freeholder of Great Britain (1722) *An Epistle to Archibald Hutcheson, Esq.* London.

³⁴ Keirn, *Monopoly*, p.429.

relating to the Bubble. As such, he has received favourable remarks from historians of the Bubble. Carswell calls him the 'economist M.P.'.³⁵ Dale's contention that Hutcheson was the father of investment analysis has already been mentioned. Hutcheson's diligence in writing pamphlets is not in doubt. His service as a member of the Commons inquiry into the Bubble links him to the histories of the episode. However, his political service does not mean that he was a good writer on economic topics. By the same token, neither Carswell nor Dale were historians of economic thought. Hutcheson was well known to contemporaries, so he cannot be in the first category.

The secondary category comprises those whose work is now considered incorrect, either absolutely, or relative to modern theory. Hutcheson has his defenders like Carswell and Dale. He has few obvious detractors. Rather, his work has been damned by a deafening silence from historians of economic thought. Hutcheson's work certainly contains numerous figures and calculations. The work is not necessarily correct, either in the raw data or in the analysis. Nor is it obvious that Hutcheson made any contribution to the development of economic ideas or methodology. However, Dale considered him to be a savant and used his work to damn investors in the South Sea Company. So, is Hutcheson's work full of logical mistakes; comprised of economic arguments relevant only to his own time, or is he in the third category? He might be a forgotten genius, discovered again by Dale. Or he might be a crank. The following sections aim to clarify the issue.

Unravelling Hutcheson's thinking

A typical pamphlet by Hutcheson would be lengthy and difficult for many people to read. We have no way of knowing how many people did read his works, and read them thoroughly. There are instances of reprinted replies to some of his arguments. For example, Boyer's *Animadversions and observations*.³⁶ This work was priced at one shilling, although it might still have been handed out gratis like many political works. There is some evidence of debate conducted by pamphleteers, based on surviving primary sources. There is some evidence that Hutcheson responded to works by other writers. For example, John Crookshanks criticised Hutcheson's scheme for the National Debt.³⁷ Hutcheson responded with a pamphlet which ran to two editions. Crookshanks did not focus upon Hutcheson's scheme itself, but rather on his calculations regarding the size of the National Debt. Hutcheson himself put great weight on this type of calculations. Many pages are taken up with estimates of expenditures and the like.³⁸ It would be a lengthy job to check the raw data which Hutcheson and others used. It is really the economic assumptions made by Hutcheson which are more important to modern readers. However, there is little in the way of debate regarding Hutcheson's own ideas, at least judging by the surviving pamphlets.

There may have been others whose works (and Hutcheson's replies) have not survived. The main concern of pamphleteers was to promote a political agenda, and

³⁵ John Carswell (2001) *The South Sea Bubble*, Sutton: Stroud, p.79.

³⁶ Abel Boyer (1718) *Animadversions and observations upon a treatise lately publish'd*, London.

³⁷ John Crookshanks (1718) *Some seasonable remarks on a book publish'd in the month of July 1718 by Archibald Hutcheson*, London.

³⁸ Archibald Hutcheson (1719) *Mr. Hutcheson's answer to Mr. Crookshanks's seasonable remarks*. London.

any economic arguments included were clearly secondary. Hutcheson's pamphlets were lengthy, but they were not meant to be reference texts. So, it is unclear how closely they were read, or understood, by his readership. His pamphleteer opponents, like Boyer, cited the figures and arguments which put forward. Other people who received a free copy of an 80-page tract would be forgiven for skimming the work, or not reading it at all. Hutcheson's contemporaries would not have any formal instruction in economic concepts *per se*. They may have simply focused upon the political and moral arguments which made up substantial portions of the text. It is difficult to tell at this remove. Hutcheson's key arguments and methodology will now be discussed.

Hutcheson's work on the National Debt is perhaps his most important economic topic. It was his alternative to the South Sea scheme. *Some Considerations relating to the payment of the publick debts* was published in 1717.³⁹ Similar tracts followed. Hutcheson stated that if the rate of interest payable by the government could be lowered, then money would be saved. He then computed the related savings. For example, taking a debt of above £40 million and reducing the interest payment from six to five per cent per annum would save at least £400,000 per annum.⁴⁰ This is correct. Hutcheson provided other similar calculations.

Table 1.⁴¹ Adapted from Hutcheson's table in *Some Considerations*

The Annual Sum to pay off £45m [x]	No. of years [to pay off principal] according to the rate of interest [earned p.a. on sum x]			
	6%	5%	4%	3%
1.5 million	18	19	21	22
1 million	23	25	27	29
0.5 million	32	35	39	45
0.25 million	43	48	54	63
0.1 million	58	65	76	91

However, the table alongside (and here as Table 1.) has an inverse relationship between interest payments and the number of years taken to clear the principal. Hutcheson argued that an annual sum of money [x] would pay off the principal of a £45 million debt. He varied the sum [x], rates of interest and the number of years in which the principal could be paid off. He excluded the interest payments on the principal from his calculations, which is a simplification. (However, ignoring compound interest payments over a period which varies from 18 to 91 years is highly dangerous.) So, if an annual sum of £1.5m is paid at six per cent, then Hutcheson claimed it would take 18 years to clear the debt. The same sum at five per cent, would take 19 years to clear the debt. This is highly confusing. Hutcheson did not make it clear what he meant by 'interest'. The first set of calculations (outside of the table) clearly referred to interest payments serviced by the government on the National Debt. The other (in Hutcheson's table) must mean that the government is earning interest on a sum, say £1.5m. By assuming that £1.5m annually can be found and that

³⁹ Archibald Hutcheson (1717) *Some Considerations relating to the Payment of the Publick Debts*, London. Note there are other editions of this pamphlet in the same year.

⁴⁰ The interest payable on £40 million would be £2.4m at 6% p. a. and £2m at 5% p.a.

⁴¹ Hutcheson, *Some Considerations*, unnamed table.

it can be lent out at six per cent, then it would take 18 years to amass £45million. This assumes that each year's interest payment is added to the yearly sum [x]. The calculation then is one of compound interest.

It is implicitly assumed that neither the £1.5 million nor the interest payments on it would be used to pay off part of the debt in the meanwhile. Hutcheson must have made this assumption in order to gain the figures quoted. However, it is not clear why the government would be lending out money at all instead of immediately putting any available sum to use. Nor is it clear why a self-contained pot of money would be allowed to grow to £45million over several years. A better strategy would be to take the sum [x] and reduce the principal with it, as soon as possible. This would then reduce the interest payments on the principal for the next year. Hutcheson used calculations relating to saving sums with compound interest. This was not an appropriate way to consider debts. Even with all the caveats about judging work within its historical context, Hutcheson's methods lacked clarity and were based on naïve assumptions. A Georgian banker would have been able to argue that debtors should reduce the principal when they can, rather than wait until they held the entire sum outright. Also, the huge impact of compounding interest was well known.

Hutcheson's remedy of a flat tax of ten per cent has already been mentioned. As Hume argued, it would be regressive and impracticable to collect. Hutcheson also claimed that government creditors contributed nothing to the public.⁴² He clearly overlooked the obvious fact that they lent money which was often sorely needed. He seemed to ignore the risks which creditors took that they would not be repaid. This had happened within living memory with the Stop of the Exchequer (1672). Likewise, there was the opportunity cost of handing over funds which could be invested elsewhere. Hutcheson's refusal to allow these points puts him squarely against the monied interest. Indeed, he preferred the traditional idea of land as the basis of economic and political power. He stated that land sales were justifiable to pay his proposed tax as the remainder of the estate would be more valuable. He reasoned that if the National Debt were paid off swiftly, taxes and duties would cease. The economy would be stimulated and the price level and interest rates would fall. Landowners could then fund more investment in improving their estates. The general improvement in the economy would lead to more land purchases and the price of land would rise.

This string of assumptions is not plausible. Firstly, there is a moral hazard problem with regard to politicians and taxes. If the country survived the massive burden of paying off the debt quickly, it is likely that economic dislocation would ensue. Even if it did not, politicians would not reduce public spending to nothing and cut taxes and duties completely. If there was a boom, this might lead to inflation rather than deflation. Landowners might spend money on consumption rather than investment. Finally, if land is being purchased, it must also be sold. So, Hutcheson might find his beloved landed elite have sold their properties to a class of nouveau riche tradesmen. Even during the South Sea Bubble, Hutcheson still claimed that it was the landed class who could reduce the interest on the National Debt.⁴³ Those who were proficient in the markets were merely 'birds and beasts of prey'. He advocated that investors

⁴² Hutcheson, *Some Considerations*.

⁴³ Archibald Hutcheson (1721) *Four Treatises relating to the South-Sea scheme and stock*, London.

should be forced to hold onto their shares for at least a year.⁴⁴ This, he felt, would guard against ‘stock-jobbing’. It would also undermine one of the basic advantages of the stock market – liquidity. Hutcheson clearly thought that an inflexible system, like that of land sales, was best. Similarly, he thought that the state should only spend the money which it accumulated within one year. This too was needlessly inflexible.

Hutcheson’s work may include raw data and some arguments relating to economic topics such as trade, bullion, debt and interest. However, even within the context of Georgian economic writings, Hutcheson’s work is a poor attempt. He may be forgiven for believing that the body politic is analogous to a human life, but on a larger scale. However, he blatantly contradicted himself and argued that private individuals may borrow from Holland, but the state should not. The fallacy of composition was part of Georgian thinking. It is of its time and context. Hutcheson’s decision to apply this argument and its exact opposite within the same tract shows logical inconsistency. This should be readily apparent.

Given Hutcheson’s views, it may seem strange that Dale has eulogised him as the father of investment analysis. Dale argued that Hutcheson showed that the South Sea scheme was flawed before the Bubble burst.⁴⁵ Clearly, Hutcheson was against the scheme. However, his calculations rested on a set of assumptions amongst which was the idea that the company would be wound up in 1727. He later provided other calculations without this assumption. Dale noted that Hutcheson used techniques such as the calculation of the present value of a future dividend stream. This is in line with modern practice, but Dale acknowledged that corporate accounting was in its infancy. Hutcheson and his opponents were generating estimates regarding the company’s finances, and without the benefit of a complete set of accounts. It was unlikely that the company would generate trading profits which would account for the highest prices of shares during the Bubble. However, this was perhaps obvious to all but the most naïve of investors. Hutcheson’s calculations were an attempt to see if the conversion of government debt was possible. *Ex post*, it is clear that such unwieldy debts were converted. Therefore, the problems of the National Debt were ameliorated, even if some shareholders lost their shirts. The South Sea conversions were far more practical than Hutcheson’s own plans for the National Debt.

Many of Hutcheson’s writings on the South Sea scheme appeared after the Bubble burst. So, much of his work has the benefit of hindsight. One of his pamphlets was presumably published in 1720 and concerns the last wave of subscriptions to the scheme.⁴⁶ This work does make some salient points. Hutcheson argued that share prices were now so high (it was during the inflating of the Bubble) that new subscribers could only hope to make money on the assumption that the price would continue to climb, and/or that there were large dividends. This is indeed likely. Some would make money by correctly believing that the price would continue to rise for a short while. However, the last wave of investors in a bubble are likely to come undone. In modern financial parlance, they are noise traders. The work of the

⁴⁴ Archibald Hutcheson (1718) *Some Calculations and remarks relating to the present state of the publick debts and funds. And a proposal for the intire discharge of the national debt and incumbrance in thirty years time*, London.

⁴⁵ Dale, *First Crash*, pp. 82-90.

⁴⁶ Archibald Hutcheson [1720] *An abstract shewing the loss to the new subscribers to the South-sea stock*, London.

arbitrageurs is to remove them from the marketplace as they distort prices. Hutcheson argued that the buyers of shares were defrauded by the sellers. This is in contravention of the rule of *caveat emptor*. Rather, Hutcheson wanted the contracts altered to favour the buyers. He was assuming that the buyers of shares were often landed gentlemen and the sellers were stock-jobbers. Elsewhere, Hutcheson argued that this redistribution of the gains from stock-trading was natural justice. Investors who gained were ‘blood-suckers’.⁴⁷

Those who bought at the height of the Bubble clearly lost out. However, Hutcheson’s arguments for compensation ignore any rights successful traders might have had. They rest on traditional assumptions about the rights of the landed elite. The converse side to his approach is that investors who had left the market in time were in the wrong. The early Georgian investors cannot win. Those who bought at the wrong time have been accused of being gambling mad. Those who sold out were the subject of Hutcheson’s ire. It is not clear what people who were not in possession of a large amount of land could safely do, without attracting criticism. Hutcheson’s calculations did show the poor bargain which the last subscribers had made. It is this work which has been promoted by Dale.⁴⁸ Hutcheson made various calculations to illustrate his point, using a range of different assumptions for valuations of the company, discount rates etc. However, by this stage it must have been obvious to many that the share prices were overvalued. The prices were so high that dividends would have to be enormous to justify them. In this case, Hutcheson’s calculations may be gilding the lily. Even Dale pointed out that Hutcheson took things to extremes, as he commonly quoted figures up to ten decimal places. He even mentioned when his estimate of the national debt was two pence more than it should be.⁴⁹

Hutcheson’s opposition to the South Sea scheme may well be due to his own promotion of land sales to pay the National Debt. This is not evidence that he knew that the scheme would never work. He was afraid that it would work too well. Before the bill to enable the conversion of more government debt, Hutcheson wrote that the company could:

*Swallow up the Bank [of England], and the East-India Company, and the whole, or as much of the Trade of Great Britain, as they shall think fit: And there is reason to believe that all future Parliaments will be only Grand Committees of that formidable Society[...]*⁵⁰

After the crash, Hutcheson asserted that if the scheme ‘had been managed with any tolerable Prudence, and attended with success’ it would have ended in ‘the sapping of the British constitution’.⁵¹ The calculations he undertook when the Bubble was inflating gave showed that the shares were overpriced. However, that should have been obvious to any informed observers, without having to labour the point. People who bought in at the Bubble’s height probably were naïve or else risk-loving

⁴⁷ Hutcheson, *Four Treatises*.

⁴⁸ Dale, *First Crash*, pp. 114-117.

⁴⁹ Dale, *First Crash*, p.124.

⁵⁰ Archibald Hutcheson, *A collection of Calculations and remarks relating to the South Sea Scheme and Stock* (London, 1720).

⁵¹ Archibald Hutcheson, *Four treatises relating to the South-Sea scheme and stock. Published since the 30th of November, 1720.* (London, 1721).

gamblers. Those who sold out were probably much shrewder, but they got short shrift from Hutcheson.

After the Bubble burst, there was the issue of resolving the crisis. Hutcheson considered the effects of allowing the Bank of England and the East India Company to take over some of the South Sea Company's capital.⁵² He considered how various categories of shareholder in each company would be affected by the change. He used lengthy calculations, as usual. However, the basic work concerns issues of redistribution amongst those already involved in the public funds. There is little in the way of economic theorising as there was with his pamphlets supporting his own scheme for the National Debt. This was Hutcheson's response to a scheme already proposed by other. However, he was still able to formulate his own.⁵³ In this pamphlet, he argued that the engraftment scheme mentioned above would not work. He felt that a rearrangement of the terms of the contracts between subscribers and company would be preferable. Elsewhere, as has been seen, he wrote that those who gained in the Bubble should forfeit this money. He frequently mentioned the collapse of the nation's credit in his work. However, he seemed unaware that penalising a section of the investing public would damage the web of credit further. In fact, he would be penalising those who understood something of business and finance, in favour of those who did not. It would also cast a shadow over any future transactions in the stock market, as people would fear arbitrary confiscations. Hutcheson's place in the House of Commons' committee gave him access to the raw data which he so assiduously used. However, he did not seem to look much beyond it at the wider questions of how the economy worked. Nor, did he seem to have much understanding, or love for, the new monied interest.

CONCLUSION

As historians of economic thought appear to have ignored Archibald Hutcheson, it may be thought that he has been set up here as a straw man. However, Hutcheson enjoys posthumous fame in the historiography of the South Sea Bubble. His supporters have made great claims for him. Historians, other than economic historians, may take these claims on trust. They, like Hutcheson's contemporaries, may have little experience of dry concepts such as the National Debt. Dale has encouraged the belief that Hutcheson was a savant and quoted from Hutcheson's arguments about the Bubble. Then Hutcheson's writings have been used to bolster the traditional view that the Bubble was the result of a mysterious gambling mania. He has been portrayed as a shrewd analyst of the stock market. However, it seems clear that Hutcheson pitched himself against the 'monied interest'. He would not thank Carswell and Dale for calling him an economist and the father of investment analysis, respectively.

In any case, these claims are far-fetched. His work was not an attempt to discover how the economy functioned. He stuck to normative statements about how it should function, to maintain the existing landed elite. Many of his political ideas have fallen from favour. This would not necessarily invalidate his contribution. However, he

⁵² Archibald Hutcheson (1720) *Some computations relating to the proposed transferring of eighteen millions of the fund of the South Sea Company*, London.

⁵³ Archibald Hutcheson (1721) *A proposal for the relief of the new proprietors in the South-sea company*. London.

made arguments which were contradictory or based on assumptions which would have been naïve by the standards of economic writings at the time. Hutcheson disliked the South Sea scheme, but he had a rival one of his own. It might be Hutcheson's jealousy, rather than any great good sense, which made him attack the debt conversion scheme. In the end, the South Sea Company did convert the debt as promised.

Hutcheson was well known to contemporaries as a politician, but his economic writings were not ground-breaking. Rather, he sought to maintain a social structure based around land-ownership and was vehemently against the rise of the monied interest. The survival of his pamphlets may be due to his ability to self-finance large print runs. His appeal to the landed elite may mean that they preserved his work in their homes, whilst other works have not survived. Hutcheson's case shows the difficulties of analysing economic writings and pamphlet texts from the early modern era. His works do not prove that a gambling mania existed or that the South Sea scheme was doomed to fail. Rather, quotations from his works have usually been taken out of context with no regard to Hutcheson's own political agenda.

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