

VI. CLASSICAL ECONOMIC THEORY

THE YIELD OF CAPITAL

None of the classical economists of the second generation accepted Ricardo's theory of profit, for none of them accepted Ricardo's theory of wages. They found Malthus's theory of profit little more to their taste, since it was essentially a surrender to uncertainty. Therefore the economists of the second generation each sought a new theory of profit, and so each looked back to his conception of capital for clues to where profit came from.

John Ramsey McCulloch occupies a position with respect to the theory of capital midway between Ricardo and McCulloch's peers of the second generation. McCulloch found the question of which type of capital, fixed or circulating, was more important to be theoretically uninteresting: "the possession and employment of both these descriptions of capital are equally essential."¹ And he established this point by considering the very industry earlier political economists had used to establish the priority of circulating capital--the industry of agriculture. An agriculturalist might have an ample supply [of fixed capital] . . . but if he were destitute of circulating capital . . . he would have to resort immediately" to hunting for food; he could not wait for the harvest. Similarly, supposing "the agriculturalist to be abundantly supplied with provisions, what could he do without the assistance of fixed capital or tools?"²