

*Explorations in Economic History* 10 (Summer 1973): 419-436; papers  
from the Second Anglo-American Conference on New Economic History,  
Clare College, Cambridge, September 1972.

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## New Perspectives on the Old Poor Law

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With the expansion of relief payments from the parishes to agricultural and other workers after 1795, British policy toward the poor, deviating, its critics said, from the true principles of the Old Poor Law of two centuries' standing, developed a leniency that it retained until the harsh reforms of the Poor Law Amendment Act of 1834. The major contributions to the history of this forty-year episode have been political as well as intellectual documents. This is not, perhaps, surprising, for few issues inflame political passions more than that of the responsibilities of the rich toward the poor and of the poor toward the rich, and the past development of these responsibilities makes ready material for present political controversy. From Sir George Nichols' benthamite *History of the English Poor Law* (1856) through the classic Fabian interpretations in *The Village Labourer* (1911) by the Hammonds and the seventh and eighth volumes of *English Local Government* (1927) by the Webbs, down to Mark Blaug's pathbreaking reinterpretation in 1963 of the Old Poor Law as an enlightened social welfare system along modern lines,<sup>1</sup> all the histories have become involved to a greater or lesser degree in the question whether the Old Poor Law in this period was a Good or Bad Thing on moral and political grounds. There would be no mischief in this were the scientific basis for the judgments for and against it matters of settled fact and analysis, but they are not. I hope to persuade the reader that the existing economic analysis of the Old Poor Law from 1795 to 1834 is usually unclear and sometimes self-contradictory, and warrants a return to square one. This accomplished, I hope to persuade him further that one particular

For their comments on earlier drafts of this essay, I would like to thank Daniel Baugh, Mark Blaug, Stanley Engerman, Roderick Floud, Milton Friedman, C. K. Harley, Peter Lindert, Rachel McCulloch, Lars Sandberg, Anthony Wrigley, J. R. Zecher; and the seminars in economic history at North Carolina State and Stanford Universities.

<sup>1</sup>Mark Blaug, "The Myth of the Old Poor Law and the Making of the New," *Journal of Economic History*, 23 (June 1963), 151-79.

characterization of the Old Poor Law and its effects merits special attention as a plausible working hypothesis.

From its beginning in the Poor Law Commissioners' massively documented *Report for Inquiring Into the Administration and Practical Operation of the Poor Laws* of 1834, the retrospective literature has admitted little doubt that the analysis was complete. The results of the pernicious system of subsidizing the wages of agricultural workers out of the local rate levied on occupiers of rented properties was clear enough to the Commissioners, as to most later historians, whether or not they shared the Commissioners' harsh Benthamism. Surely the wages paid to agricultural workers by the farmers would be reduced in proportion as the parish made up the earnings of workers to the standard level, with demoralizing effects as the workers became more and more dependent on the parish rather than on their employers for their income; surely the ability to live off the parish would reduce the amount of work offered to the community by workers, who would turn to drinking and sleeping at public expense; surely the allowance for children, generally beginning after the second child in a family, would increase the population and thereby still further depress and degrade the very workers for whose benefit the system was designed; and surely the value of land would be progressively depressed by the burden of the poor rates. Mark Blaug alone among historians of the system challenges the opinion of the Poor Law Commissioners. He concludes a step-by-step attack on their case as follows:

[H]ardly any of the dire effects ascribed to the Old Poor Law stand up in the light of available empirical knowledge. . . . The Old Poor Law . . . was, in essence, a device for dealing with the problem of surplus labor in the lagging rural sector of a rapidly expanding but still underdeveloped economy. And considering the quality of social administration in the day, it was by no means an unenlightened policy.<sup>2</sup>

As will become clear, however, Blaug's arguments sustain his favorable assessment of the Old Poor Law little better than the arguments of the Poor Law Commissioners sustained their unfavorable assessment. "It is not often realized," Blaug remarks, "that the kind of arguments which are used to condemn the Old Poor Law *per se* would equally condemn most modern welfare legislation."<sup>3</sup> This is so—the parallels between the debate over poor relief of today and

<sup>2</sup>Blaug, "Myth of the Old Poor Law," p. 176f.

<sup>3</sup>*Ibid.*, p. 152.

that of the early nineteenth century are striking—yet one would not want to draw the inference that on this account the impact of the Old Poor Law was wholly desirable or small. Whether on balance good or bad, any system of poor relief must alter, among other things, the amount of labor supplied and its wage. One might fruitfully begin the analysis of the Old Poor Law, then, by imagining how it altered the equilibrium in the labor market.

The agricultural labor market so altered (it was agricultural, not industrial, laborers who received the bulk of the relief) can be represented to a first approximation in an especially simple way. Given their alternative opportunities in industry or in leisure, the number of hours of labor supplied per year by agricultural workers would be dependent on the real wage per hour offered them. Since wheaten bread (or its close substitutes) was much the largest item in the agricultural worker's family budget—Eden's budgets for 1795 imply, as Blaug reports, a share of one half of total expenditures on bread<sup>4</sup>—the money wage divided by the price of wheat would not be far from the real wage in terms relevant to the workers' supply of effort. Moreover, this most important item of consumption was also the workers' most important item of production. Agricultural workers in the areas of leniency in the Poor Law produced grain, especially wheat, and in competitive equilibrium their marginal physical productivity in producing wheat would have been equalized to their real wage in terms of wheat. That is to say, the determination of the real wage and the employment of agricultural labor before the introduction of generous relief can be represented to a first approxima-

<sup>4</sup>Compare Elizabeth W. Gilboy's survey of the evidence down to 1800 in her *Wages in Eighteenth Century England* (Cambridge: Harvard University Press, 1934), pp. 57–59 (rural areas of Middlesex, Kent, and Surrey) and pp. 118–123 (Oxfordshire, Gloucestershire, Somerset, and Devonshire). The regional range in shares is substantial and varies a good deal from decade to decade, but from a quarter to over half brackets it for wheat bread. A quarter to over half is not the whole and wheat is not bread. These truisms introduce a random element into a supply curve construed strictly as a function of the price of wheat. The essential point, however, is that agricultural laborers consumed little that was not produced in the countryside, indeed, little that was not food produced in the countryside. Of the expenditures of six families in rural Surrey in 1793 (Gilboy, p. 59), for example, 82% was food produced in the countryside (that is, foods except tea and sugar) and only 6% consisted of goods that might have been imported from outside of the agricultural sector (tea and sugar, soap, starch and blue, and thread and worsted).

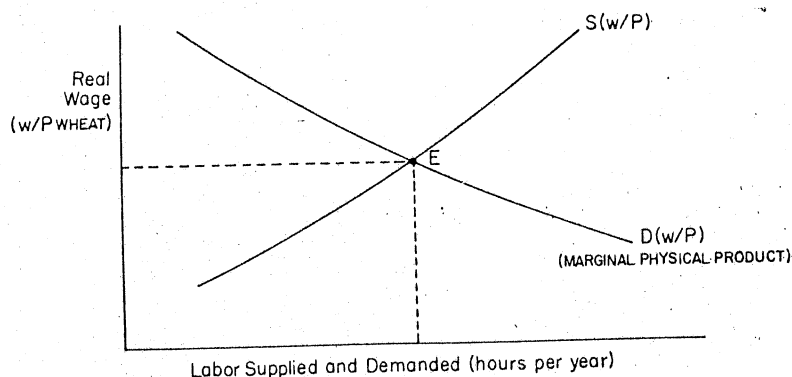


Fig. 1. The labor market in the absence of a lenient Poor Law

tion by the intersection of a supply curve and a demand curve, as in Figure 1.<sup>5</sup>

The first and in some ways the most important conclusion to be drawn from this simple argument is that the demand curve in the diagram, whatever its slope or shape, remains unchanged as the relief payments and the taxes to pay for them are imposed. If this is true, the analysis can focus exclusively on the possible movements along the demand curve in response to induced shifts of the supply curve. The assertion that the demand curve for labor on the part of farmers did not change in response to relief payments might seem at first a peculiar one, considering that the poor rate to pay for the relief was assessed on the farmers, who themselves hired the labor. If their returns were lowered by the imposition of the poor rate, less capital and entrepreneurship would be supplied and therefore less labor demanded. As Blaug remarks, "Since the poor rates were levied on the occupiers, not on the owners of land and real estate, farmers themselves paid a major share of the rates used to finance wage subsidies," and, again, "the contention that the Old Poor Law operated to depress rents [alone, instead of depressing the returns to capitalist farmers] ... depends entirely upon the way in

<sup>5</sup>Since there was intervention in the market before 1795, even to the extent of paying wages out of the rates, there never existed a truly unencumbered labor market. The equilibrium in the diagram, however, can be reinterpreted as the equilibrium that would have obtained had poor relief kept its older form. The subsequent discussion would not be changed in substance.

which the poor rates were actually assessed."<sup>6</sup> This would seem to be a curious argument for a student of Ricardo to make, and Blaug admits that "it is theoretically plausible that the incidence of rates fell ultimately upon landlords."<sup>7</sup> An application of the theory of rent suggests that it is indeed plausible. As most contemporaries hostile to the poor law assumed, it is most likely that the landlords in a parish paid much of the poor rate in lower receipts from rents, leaving the farmers, who were mobile from one parish or one piece of land to another, unencumbered with the poor rates, however they were assessed. Landlords in a parish with high poor rates (poor rates were notoriously variable from place to place) would have to charge lower rents to attract farmers with alternative employment for their capital in parishes with low poor rates or elsewhere in the economy. Despite the imposition of a tax on them, farmers would get no less and no more than their normal alternative remuneration. All the tax in this case would be shifted to the immobile and fixed factor, land. This would be so even had the poor rate been assessed uniformly throughout the country, for it was a proportional tax on rent paid. An occupier paying a small rent would pay a small tax. That is, the capital and labor occupying the margin of cultivation would stay on the margin, and the margin, therefore, would not move. Neither the total amount of capital and labor applied to land nor its distribution

<sup>6</sup>Blaug, "Myth of the Old Poor Law," pp. 155, 174. Sidney and Beatrice Webb agreed. In their eighth volume of *English Local Government, English Poor Law History: Part II: The Last Hundred Years*, vol. I (London: Longmans, 1929), they emphasized that "the rates were exacted, not from those who were receiving the rapidly rising rents, royalties and profits" (p. 2), but from *renters* of properties, and concluded from the failure of rent to fall after 1795 that "the common impression that the rates were 'eating up all the rent' was entirely unfounded" (p. 3n). Only if poor rates were the only item determining rents that varied during the period would the evidence used by the Webbs be to the point.

<sup>7</sup>Blaug, "Myth of the Old Poor Law," p. 175. It should be noted that Ricardo himself (*On the Principles of Political Economy and Taxation*, 3rd ed., Ch. 18, "Poor Rates") did not believe it theoretically plausible that the rates fell on the landlords; instead, he thought it theoretically plausible that they fell on the farmers or on consumers of grain. His argument, however, hinges on the importance in total assessed value (which he asserts is not always rent in the economic sense) of profits from recent, removable investments still covered by a long lease, and on an assumed uniformity of Poor Law assessments (since the generous, "Speenhamland" area was not all of agriculture, the factor specific to the Speenhamland areas, namely, land, would otherwise bear much of the burden).

among different lands would change. Only to the extent that the rent paid was to a significant degree a return to capital and labor embodied in improvements owned by the landlord and, further, to the extent that a significant portion of the improvements could be liquidated or foregone in the forty years after 1795 would resources other than land feel the weight of the tax and move out from under it. The major effect of the taxation, in other words, would be to divert some of the rent earned by the landlords from their personal use to the use of the parish imposing the tax. The returns, and therefore the amounts supplied of other factors of production, would be unchanged; the price, and therefore the quantity of the output demanded, would be unchanged; and therefore the marginal physical product of labor would be unchanged. The system of taxation used to collect the money for poor relief, in short, would have had little effect on the demand curve for agricultural labor.<sup>8</sup>

If the collection of the tax did not change the demand for labor, its disbursement may have, or so at least argues Blaug, by increasing the income of the workers, improving their diet, and thereby raising their marginal product. The Poor Law Commissioners also believed that the marginal productivity of workers varied under the Old Poor Law, although they of course believed that the relief to the poor reduced rather than increased it, by discouraging the workers from giving their full effort for each hour of work.<sup>9</sup> The Commissioners' argument can be treated as a putative shift in the relative supplies of hours of work with a low and a high content of effort in them, an effect which depends on the way in which the system was administered, to be described below. Blaug's argument, operating through the mere increase in the income of workers under the welfare scheme, does not depend on these details of administration and can, therefore, be examined briefly here.

<sup>8</sup>Daniel Baugh of Cornell University has suggested to me the interesting possibility that labor, to the extent that it, like land, was immobile, would bear with land some of the tax eluded by the mobile factor, capital. This would add a direct wage-reducing effect (from the taxation) to the indirect effects (from the expenditure) discussed at length below.

<sup>9</sup>Cf. *Copy of the Report Made in 1834 by the Commissioners for Inquiring into . . . The Poor Laws* (London, 1905), p. 261, where, under the heading of "Remedial Measures," the Commissioners argue that by the abolition of outdoor relief in some parishes "the labourer's industry has been restored and improved. . . . The permanent demand for their labour has increased. . . . And the increase has been such, that their wages, so far from being depressed by the increased amount of labour in the market, have in general advanced."

"[I]t will pay landlords and farmers to maintain wages above competitive market-clearing levels and to devise a special scheme to eliminate open unemployment," Blaug argues, because "the amount of work put forth now depends on the wages paid, rather than the other way around: lower wages would lower the consumption and hence the productivity of workers."<sup>10</sup> Blaug does not offer evidence on the truth of this argument or on its quantitative significance. There are reasons to doubt it. It would seem doubtful, for example, that the interested parties effectively collaborated to this extent. Even if they did, it may be wondered why there does not appear to be contemporary testimony that anyone had this end in view. A plan that mollified a restive working class while lining the pockets of its sponsors would be expected to find promoters and publicists in an age so candidly devoted to the suppression of revolution and the enrichment of the landed classes. And if real wages were too low for the good of farmers and landlords after 1795, it is surely odd that this was not recognized and acted upon in the century before 1795, when real wages were the same or lower.

These faint historical indications that something is amiss in Blaug's application of the argument to the Old Poor Law, popular as the argument has been in works on economic development (theoretical works alone as yet: it has still to be tested in the context for which it was designed), suggest a more general weakness. The weakness is that even if one accepts the argument without evidence as being both physiologically true (a rise in income significantly increased the health of British workers) and economically important (it increased it enough to raise their productivity by an amount larger than the rise in income), it may well be that mere self-interest would already have achieved its results. If a better fed worker is more valuable to an employer, one would expect the employer to feed him better. To be sure, some of the increase in value might develop slowly, and a worker who can walk off to a competitor after a lengthy program of better feeding, like a modern worker trained by one employer and then enticed away by another, would be a bad investment. Yet in the early nineteenth century the bulk of the agricultural labor force stayed with one farmer for a long time, long enough, surely, for the farmer to extract most of the gain from better treatment of the labor. The personal ties between master and man had weakened, but were not entirely gone. The wage consistent with high profits for the employers of agricultural laborers could well

<sup>10</sup>Blaug, "Myth of the Old Poor Law," p. 154.

have been achieved before the Poor Law became lenient. There would be in this case no need for a special scheme to prevent competition from driving the wages of labor too low.

In any event, the nutritional argument is consistent with a demand curve for labor of the usual shape, which is all that is necessary for the analysis below. One can imagine the demand curve as being the locus of combinations of labor demanded and its wage such that the curve of marginal product of labor (which varies with the wage) intersects the wage. For any reasonable magnitude for the impact of wages on the effective labor per year of nominal labor the demand curve has the usual shape.<sup>11</sup> This guarantees that the effects of the Old Poor Law from the supply side on wages or on the amount of labor will not be changed in direction by an induced shift in the demand curve. It is still true, to be sure, that the nutritional effect of a new subsidy to wages or income would be to raise the demand curve for labor, for at each wage paid by farmers the

<sup>11</sup>It would perhaps be useful to illustrate these remarks explicitly for a concrete case. Suppose that agricultural output obeys a Cobb-Douglas production function:  $Q = CL_e^s$ , where  $L_e$  is the amount of labor in efficiency units,  $s$  is the share of labor in total costs, and  $C$  is a constant, assuming, to put Blaug's argument in the most favorable light, that all other inputs are fixed. Suppose that the effective amount of labor increases with the real wage,  $w$ :  $L_e = w^\lambda L$ , where  $L$  is the nominal amount of labor used per year and  $\lambda$  is the elasticity of the effective amount of labor with respect to  $w$ . In equilibrium the real wage is set equal to the marginal physical product of labor:  $w = sCw^{s\lambda}L^{s-1}$ . Solving for  $L$  produces the demand curve described in the text:  $L = C'w^{(1-s\lambda)/(s-1)}$  ( $C'$  is another constant). The condition for the exponent on  $w$  to be positive (that is, for the demand curve to have a perverse, positive slope) is  $\lambda > \frac{1}{s}$ . Labor was about half of the total costs

of wheat, implying that  $\lambda$ , the elasticity of effective labor with respect to the wage, would have to be greater than 2 for a rise in wages to cause more labor to be demanded (a perverse slope of the demand curve). A doubling of wages (or income) would have to yield a quadrupling of the effective amount of labor. Incidentally, if the demand curve was in fact perversely shaped, equilibrium with any supply curve would be unstable in either the Walrasian or the Marshallian sense (not both). That is to say, it might not be an observable equilibrium. Even the condition for a rise in wages to be profitable for the other factors of production implies a high value of  $\lambda$ , namely, a  $\lambda$  greater than 1 (this can be shown by substituting the demand curve derived above into the expression for the profit of other factors of production,  $Q - wL$ , finding the elasticity of this profit with respect to  $w$ , and showing that it is positive if, and only if,  $\lambda$  is greater than 1). It is worth pointing out, by the way, that Blaug's formulation suggests that the condition profitability is  $\lambda$  greater than 0.

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workers would be better nourished and more vigorous. To this extent, that is, to the extent that the Old Poor Law after 1795 had significant effects on the vigor of workers that had not already been realized by employers, the demand curve cannot be assumed constant with respect to changes in the Poor Law. In logic, then, the new leniency of the Poor Law could indeed have had an effect on the demand curve for labor, just as in logic, as we shall see, it could have had an effect on the supply curve of labor. If Blaug's argument is accepted, the analysis below completes it by speaking of the supply effects as well. If it is rejected, the analysis below replaces it. The demand curve will be assumed below to be stable with respect to changes in the Poor Law: if nutrition was important, this assumption is merely an expository convenience; if it was not important, as I believe was the case, the assumption is true.<sup>12</sup>

An important insight into the Old Poor Law follows immediately. Compared with the unencumbered situation it cannot be true that both the labor hours supplied by the workers and the wage paid to them by the farmers fell. Contrary to the opinion of the Poor Law Commissioners, who were of course anxious to show that the Old Poor Law had no redeeming virtue, it is impossible, with a constant demand curve, for poor relief to result in *both* falling wages and falling amounts of labor. A fall in one implies a rise in the other: employers will not be involved in a wage bargain off their demand curve, and the demand curve is sloped negatively. Therefore, a reduction in the labor supplied by workers will raise the marginal value of the labor still supplied, and likewise a wage paid by farmers below the market-clearing level will be sustainable only if more labor is supplied than in the open market situation.

The importance of this point has not been appreciated in the literature on the Old Poor Law. A still more important point, likewise neglected, follows from it: the effect of the subsidy to workers under the Old Poor Law depends critically on whether the system was administered to increase or to decrease at a given wage the amount of

<sup>12</sup>One might suppose—I have myself in an earlier draft of this essay—that with 10% of the population of England and Wales on partial or total relief (as in 1803) the relief would raise the demand for food and thereby raise the demand for labor. The relief was only  $2\frac{1}{3}$  or 3% of national income, and the income elasticity of demand for food was low. Yet this response, although it sounds convincing, is unnecessary, for what matters for the demand for labor as expressed in Figure 1 is the marginal *physical* product of labor, which does not vary with the demand for wheat.

labor supplied. If it increased the supply of labor, the wage paid to the worker by the farmer (if not the wage *received* by the worker, including his subsidy from the parish) would fall, with all the demoralizing effects that such a partial shift of the source of income from the farmer to the parish was supposed to have had. If it decreased the supply of labor, it would produce directly one of the alleged effects of the system—less labor supplied, as workers took their leisure at the parish's expense—but just as directly the opposite of the other alleged effect—a *rise* rather than a fall in the wage paid to those hours of labor still forthcoming.

Whether the supply curve of labor moved out or in with the new leniency after 1795 depends, in turn, on whether the poor relief came in the form of a wage subsidy or in the form of an income subsidy. This is the critical question. If the system of poor relief was on the whole a wage subsidy—according to which the parish overseers of the poor were to “make up wages out of the rates,” as one contemporary formula went, for example—the supply of labor at any given wage paid by the farmers would be larger than it would have been in the absence of the subsidy. Any payment from the parish that is merely a supplement to *earned* income, a supplement that is paid only under the condition that the receiver of it work, and in proportion to his earnings from work, will merely bring forth the supply of labor corresponding to a higher wage than the one paid by the farmers alone, before the supplement from the parish. On the other hand, if the system of poor relief was on the whole an income subsidy—according to which the overseers were “to regulate the incomes of such persons as may apply to them for relief or employment” up to some minimum income, as the magistrates of Cambridgeshire put it in 1821<sup>13</sup>—the supply of labor would be smaller. In short, if laborers got more relief for each extra hour of work, as under a wage subsidy, the amount supplied at any given wage paid by the farmer would increase; if they got less or the same amount, as under an income subsidy, it would decrease.

The essence of the matter is that an income subsidy reduces the incentive to work by reducing the utility of the marginal gain from work; a wage subsidy, in contrast, increases the money value of the marginal gain from work. If the income subsidy were administered as a gift (as it sometimes was), as a certain amount per head with no inquiry into the worker's income, the result would be to increase the

<sup>13</sup> *Copy of the 1834 Report*, p. 21.

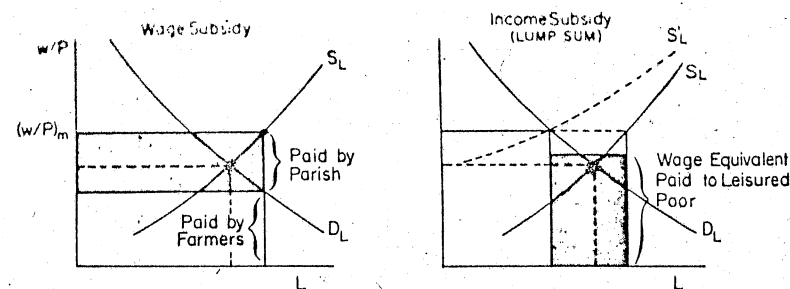


Fig. 2. The effects on the labor market of wage or income subsidies

worker's initial endowment by the amount of the subsidy. If leisure was a normal good (that is, if an increase in income without a change in the wage would raise the quantity of leisure demanded), the quantity of labor offered to the market would decrease by comparison with the situation without the subsidy. If the income subsidy was administered as a negative income tax, reducing the amount of the subsidy as the worker earned more, the marginal gain from work would be reduced as well, accentuating the disincentive to offer labor. In contrast, a subsidy to wages (unless it substituted completely for wages paid by farmers, which is impossible if the demand curve, as was argued above, was never of positive or zero slope) would make the marginal gain from each additional hour offered larger, inducing workers to offer more labor.

The consequences of the two possible sorts of relief are illustrated in Figure 2. Under the wage subsidy the wage paid by the farmer was supplemented out of parish funds up to a minimum wage,  $(w/P)_m$  in the figure. The amount of labor supplied would increase and the wage paid decrease. By contrast, under the income subsidy the supply curve would move back from  $S_L$  to  $S'_L$ , leaving those who worked with higher paid wages and those who did not with some income, perhaps at a lower equivalent wage than those who worked, but with more leisure.<sup>14</sup> The amounts paid by the parish are the shaded areas in the figures, a convenient feature of the diagram, since money relief was usually adjusted to the price of

<sup>14</sup> The greater reduction of the supply at lower wages in the diagram for the income subsidy is intentional. When there exists a leisurely alternative to earned income, the incentive to take that alternative increases as the wage falls. Even workers with low marginal valuations of leisure are drawn out of the labor force when the wage is low.

wheat bread to keep real relief constant, and areas in this diagram represent real relief in terms of wheat.

These two interpretations, of course, need not be mutually exclusive. Within any one parish there may have been uniformity of administration—although even in one parish the two could have existed side by side—but the administration of the Old Poor Law was notoriously variable from one parish to another and in any case changed a good deal in the forty years after 1795. The shifted supply curve of labor can be combined with the minimum wage to exhibit the result in the national labor market as a whole, as in Figure 3.

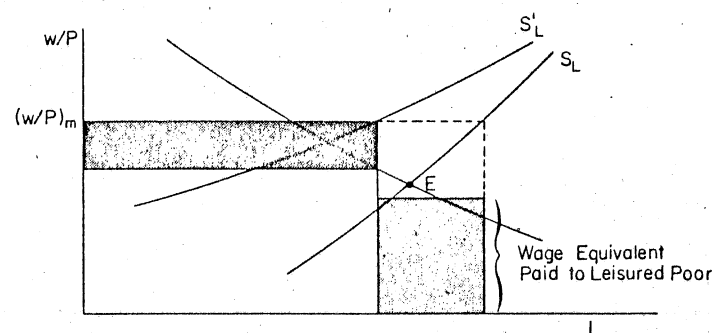


Fig. 3. The effect of wage and income subsidies combined

The amount of labor supplied is again the amount forthcoming at the subsidized wage, but the supply curve that determines that amount is shifted back from the one that would obtain if there was no element of income subsidy in poor relief. It is apparent from the diagram that the two systems working together might exactly offset each other in their effects on the amount of labor supplied and the earned wage, yielding an equilibrium identical, except for the distribution of income, to the equilibrium of the unencumbered market at *E*. The two pull in opposite directions, and the task in assessing the effects of the Old Poor Law is to estimate their separate influences.

The task is difficult, for contemporaries and historians reporting on the administration of the Old Poor Law were only dimly aware of the significance of the distinction between wage and income subsidies. The classic text for the discussion has been the scale promul-

gated by the Berkshire magistrates assembled at Speenhamland in 1795:

[T]he Magistrates now present have unanimously Resolved, That they will in their several divisions, make the following calculations and allowances for the relief of all poor and industrious men and their families, who, to the satisfaction of the Justices of their parish, shall endeavour (as far as they can) for their own support and maintenance, that is to say, when the gallon loaf of second flour weighing 8 lbs. 11 oz. shall cost one shilling, then every poor and industrious man shall have for his own support 3s. weekly, either produced by his own or his family's labour or an allowance from the poor rates, and for the support of his wife and every other member of his family 1s. 6d. . . . And so in proportion as the price of bread rises or falls (that is to say), 3d. to the man and 1d. to every other of the family, on every penny which the loaf rises above a shilling.<sup>15</sup>

In this form the system looks at first very much like a minimum real wage, and has been so interpreted by its historians. The Hammonds describe the system as follows: "If a labourer was in private employment, the difference between the wage his master chose to give him and the recognized minimum was made up by the parish";<sup>16</sup> and the Webbs refer to it as "the grant of partial support to persons at work" or "the principle of making up wages by Outdoor Relief [that is, out of the workhouse], according to a definite scale depending on the price of bread and the number of children in the family."<sup>17</sup> Yet the upshot is by no means clear. True, the formula of "the poor and industrious" man in the Speenhamland and other scales appears to require that the man work. But how much? If the amount paid in subsidy was reduced as a man worked longer hours at more difficult and remunerative tasks, the system would amount to a minimum income, not a minimum wage. The ambiguity extends to Blaug, who sometimes speaks of the system as though it were an income subsidy, "supplementing earned incomes" and "a subsidy that varies inversely with earned wages," and anticipates the analysis of such a subsidy given above by asking, "But what if the guaranteed subsidy made workers less willing to supply effort? It is elementary economics that the short-run effect of a subsidy is to lessen the supply";

<sup>15</sup>Quoted in J. L. and Barbara Hammond, *The Village Labourer*, 4th ed. (London: British Publishers Guild, 1948, reprint of 1927 ed.), p. 159f.

<sup>16</sup>*Ibid.*, p. 162.

<sup>17</sup>Sidney and Beatrice Webb, *English Poor Law History: Part I: The Old Poor Law* (London: Longmans, 1927), pp. 179ff.



yet, at another point, he asserts that the system preferred by the Fabian historians, "minimum wage legislation accompanied by children allowance payments," "amounts to nearly the same thing as the Old Poor Law"; and the confusion is compounded in his description of it as "a system of supplementing the *earnings* of agricultural workers so as to guarantee a 'living wage.'"<sup>18</sup>

It appears that the Old Poor Law was in fact predominantly an income subsidy, not a wage subsidy. To prove this conclusively and to measure its effect would require a more elaborate empirical inquiry than this essay can provide. The mass of data on the operation of the Old Poor Law, especially those data collected in the great survey of 1832, would need to be brought to bear on the many questions of fact and analysis involved. For example, it is desirable, and relatively easy with the 1832 survey, to distinguish grants to unattached old, infirm, and orphaned poor from grants to those who had some work to withhold. Furthermore, payments to those in full-time work should be distinguished from payments to the leisured poor. The extent of the wage and income subsidies in each parish should be estimated as well. And some way should be devised to estimate the elasticities of the curves involved, especially the supply curve—the theory of derived demand provides a natural way of approaching the estimation of the elasticity of the demand curve, but there is no such convenient body of theory for the supply curve. All this is straightforward, if by no means assured of success at the outset, but is deferred to another occasion in favor of showing here the plausibility as a working hypothesis of the theory that the Old Poor Law was administered as an income subsidy.

The evidence lies in the descriptions of the various schemes of relief in the Commissioner's Report of 1834. The Commissioners distinguished relief in kind and relief in money, the former being especially widespread in the form of rent paid by the parish or an exemption of the cottages of the poor from the payment of rates.<sup>19</sup> They made no mention of an employment test for eligibility, and relief in kind can therefore be assumed to have been an income subsidy. Relief in money they broke into two parts, "relief in lieu of labour" and the "payment of wages out of the rates." "Relief in lieu of labour" was clearly an income subsidy. Apparently it sometimes took the form of lump sum payments to the worker "without im-

<sup>18</sup> Blaug, "Myth of the Old Poor Law," pp. 151–55. Italics mine.

<sup>19</sup> Copy of the 1834 Report, pp. 14–19.

posing any further condition than that the applicant ... give the parish no further trouble,"<sup>20</sup> but more usually the grant was accompanied by a requirement that the recipients do unpleasant and useless tasks for the parish, such as "directing them to sit at a certain spot and do nothing."<sup>21</sup> The work amounted to a penalty for choosing the leisurely alternative. It reduced the number of applicants for relief, but those who nonetheless chose it were still withdrawn from the productive labor force.

By the "payment of wages out of rates" the Commissioners meant payment to anyone in employment, not necessarily in the form of a wage subsidy. Indeed, the only schemes under this heading that are interpretable as genuine wage subsidies were the so-called "roundsman" and "labor rate" schemes. A man seeking employment under the roundsman system "went on the rounds" from farmer to farmer with the sponsorship of the parish. If he found work at the going wage, he was paid that wage by the farmer and got in addition a supplement from the parish to bring the wage up to the socially accepted minimum. The system of the roundsman could easily be transmuted into an income rather than a wage subsidy if the supplement was not proportioned to the hours worked. The other system, the labor rate, in contrast, was less subject to this ambiguity, and it alone can be accounted a pure wage subsidy. Under the labor rate the farmers and other rate-payers were compelled to hire labor at the socially accepted minimum wage in an amount proportional to their assessment for the poor rate, with any shortfall in that wage bill going to the parish in the form of rates. In other words, the marginal cost of labor to a farmer was reduced to zero up to the amount of labor corresponding to his share of the assessment. The laborer received the socially accepted minimum wage, his income varying with the amount of work he supplied, and he received it from the farmer. This system of subsidizing wages, however, only became widespread in the last few years of the Old Poor Law: only by an act of 1832 were parishes given the power to compel the compliance among the ratepayers necessary for a workable labor rate system. Of the two varieties of poor relief that encourage an interpretation of the system as a wage subsidy, in short, one was doubtfully a wage subsidy at all and the other came too late to be considered an important form of the Old Poor Law.

<sup>20</sup> *Ibid.*, p. 19.

<sup>21</sup> *Ibid.*, p. 20.



Indeed, the very existence during the last forty years of the Old Poor Law of a roundsman system and other devices, such as make-work projects, for disciplining agricultural workers who were out of employment suggests that the system was administered as an income subsidy, for only under an income subsidy is there likely to have been in all seasons and for many years a pool of unemployed men. Under a wage subsidy, in contrast, wages paid by the farmers would have fallen to the point at which all workers could find employment. It is significant, moreover, that except under the labor rate system, which is the only clear case of a wage subsidy, not all workers in a parish received relief. If the roundsman system or the other devices used widely during the last forty years of the Old Poor Law were in fact wage subsidies, one would have expected that eventually all workers would be supported in part by the parish, contrary to observed fact: as was frequently noted by contemporaries, a farmer would have had an incentive to hire only roundsmen, who were cheaper than non-subsidized laborers, until the entire labor force of a parish was on the rounds.

Aside from the roundsman and labor rate, the systems for the "payment of wages out of the rates" were in any case clearly income subsidies. The Poor Law Commissioners described the most common form of administration as a minimum income scheme or, in other words, a negative income tax with a 100% marginal rate of tax on earned income below the minimum:

In perhaps a majority of the parishes in which the allowance system [another term used to describe payments to workers in private employment] prevails, the earnings of the applicant, and, in a few, the earnings of his wife and children, are ascertained, or at least professed or attempted to be ascertained, and only the difference between them and the sum allotted to him by the scale is paid to him by the parish.<sup>22</sup>

The overseers of the poor were aware of the disincentive effects of reducing the subsidy whenever a man could manage to increase his earnings from work. In a parish in Essex, for example, the overseer stated that in his jurisdiction, "A man's earnings are reckoned at 8s [a week]. If he makes more, still he receives his allowance, in order that industry may not be discouraged."<sup>23</sup> There were, as well, administrative pressures toward an unconditional subsidy, as the Commissioners' scepticism in the passage quoted in describing the typical

<sup>22</sup>*Ibid.*, p. 24.

<sup>23</sup>*Ibid.*, p. 28.

inquiry into earnings suggests: "the earnings of the applicant ... are ascertained, or at least professed or attempted to be ascertained."

The temptation to save the administrative costs of investigating the applicant's income appears to have been especially strong in the case of the allowance for the children of the poor, and these often became grants without a means test. With or without the means test the allowance for children was the most common of all the varieties of poor relief, giving rise to the somewhat poorly supported argument of contemporaries, muted in the work of historians writing in an age less attached to Malthusian dogma, that the Old Poor Law emmiserized the poor by encouraging population growth. The Poor Law Commissioners, who wished to fix attention on the practice of granting relief to able-bodied, childless adults, were less than perfectly candid in their description of the prevalence of the various forms of relief. Blaug has pointed out that they lumped together allowances to childless adults and allowances to large families.<sup>24</sup> Using their own evidence, indeed, he was able to show that by the time of the 1832 survey the only very widespread system was the grant to large families.<sup>25</sup> But relevant as this sleight of hand on the part of the Commissioners is for showing that their *Report* was "a wildly unstatistical effusion," as Blaug put it, it has no bearing on the point made here. An allowance in support of children is no less an income subsidy and has no less the effect on the supply of labor of such a subsidy than an allowance in support of working members of a family.

The evidence, then, fragile as it is, does point towards an interpretation of the Old Poor Law in the years from 1795 to 1834 as a system of income, rather than wage, subsidies. Much remains to be done, particularly in putting a numerical magnitude on the impact of the Old Poor Law, without which its economic significance must remain a matter for speculation. The working hypothesis that emerges from the argument, however, suggests at least the direction of the impact. The Old Poor Law appears to have been administered on balance as an income subsidy, reducing the supply of effort from agricultural laborers and increasing, therefore, the value of what effort remained. The Commissioners of 1834 are to this extent vindicated: the supply of effort was reduced. But they did not take the

<sup>24</sup> See the discussion in the *Copy of the 1834 Report*, p. 21.

<sup>25</sup> Mark Blaug, "The Poor Law Report Re-examined," *Journal of Economic History*, 24 (June 1964), 229-45.

additional step of realizing that this implies an increase in wages. The historians of the Old Poor Law, perhaps made uncomfortable by the inconsistency of this position, have generally taken up the Commissioners' other theme, that wages paid were reduced. They did not fully realize that wages paid would have been reduced only if the system was administered as a wage subsidy.