

John Hicks on the Principle of All-Round Advantage:

Its Link to the Ohmi Merchant's Principle of Three-Way Advantage

Yasuhiro Sakai

Professor Emeritus, Shiga University

Abstract This paper focuses on the famous economist John Hicks on the part of the merchant played in the market economy. He especially points out the long standing "All-Round Advantage" revealed by active and aggressive merchants in the Mercantile Economy long before the break of the so-called Industrial Revolution. Since his epoch-making book *Value and Capital* (2nd ed., 1946) promised him to start as a young and promising theoretician, his later book *A Theory of Economic History* (1969) gave a sort of shock to the academic world. While Theory and History have generally been thought as different subjects and should be studied by different scholars, he belonged to the rather exceptional group of "two-way economists" who could superbly do those two subjects by only one person. Although the "Principle All-Round Advantage" had close links to the "Principle of Three-Way Advantage" advocated by the Ohmi Merchant in Pre-modern Japan, they were not perfectly identical principles, for the shameful slave trade in the Atlantic was never found around the Sea of Japan. In conclusion, we look forward to seeing the arrival of the second Hicks, thus hoping for a new grand approach to combine History and Theory in the new future.

I . The Relation between Theory and History

This chapter addresses the question why and how John Hicks, a well-established theoretician in economic science, had to turn his attention to economic history in the middle of his brilliant academic career.

In Nara, one of ancient capitals in Japan, there exist so many old temples in the background of beautiful mountains and forests. Among them, one of the most famous temple is no doubt Kofukuji Temple, distinguishing itself from others by enshrining the wooden Buddhist image called the Ashura Figure. This figure is well-known as the very rare one which has three faces and three pair of arms. It tells us that according to the Buddhist teaching, any human being is supposed to have at least three faces and six arms, demonstrating non-measurable diversity of a human being. Any human being may at one time think, or at other times cry or anger. Likewise, the whole body of economic science must consist of at least three parts, namely Theory, Policy, and History. In particular, even if we are temporarily apart from Policy, at least the two subjects — Theory and History — must be simultaneously and intensively discussed.

It is well-known that Leon Walrus, a great economic scientist, bravely attempted to construct the Grand Economic Science which contains three subsystems, namely Pure Economics, Social Economics, and Applied Economics. Unfortunately, perhaps because of time constraint, his ambitious attempt turned out a failure in the sense that he finished only Pure Economics part and left other two parts to his forthcoming generations. It is quite unfortunate that the ambitious dreamer Walrus's grand design has never been realized yet until today. ¹⁾

Historically speaking, Karl Marx was another great social scientist who utilized his unique Labor Theory of Value to construct his own grand system uniting Theory and History. Because his historical scheme was based on the Materialistic Conception of History, it was unfortunately regarded as a rather biased perception, thus losing worldwide support in the academics.

In my opinion, John Hicks was born as a trustful third man appearing on the academics after Walrus and Marx, demonstrating us a more acceptable grand system of uniting Theory and History than ever before. However, although his intension was quite ambitious and going in the presumably right direction, his united grand system seemed to be far from perfect, waiting for a still more complete and convincing grand system.

Honestly speaking, the publication of the New History Book by Hicks (1969) was a

sort of a bolt from the blue to many economists and graduate students including myself. At that time, I succeeded in escaping from violent demonstrations throughout Japan to enter the Graduate School of Economics at the University of Rochester, the United States. Then, I was lucky to become a graduate student studying Micro Economics and General Equilibrium Theory under the direction of Professor Lionel W. McKenzie, a leading authority. Besides, I found that McKenzie himself once belonged to the selected group of graduate students led by John Hicks at Oxford University, the United Kingdom. In other words, I was academically a sort of grandson of the towering figure John Hicks. Taking account of those historical facts, it should be no wonder that I was so surprised to know that a great authority on economic theory such as Hicks published an influential history book. At least to me, Theory and History appeared to be entirely different subjects. Any person who did great jobs in these two fields, he should have been called "a genius from another dimension". Then, I wondered whether or not Hicks was indeed such a genius. To be sure, this required some more explanation.

Hicks's history book aforementioned was published around the world including Japan. All the readers must be perplexed for a while, taking some time for a certain understanding. For an example, Professor Hiroshi Shimpo (1970), who happened to be once one of my teachers at Kobe University and took pains to translate Hicks's new history book into Japanese, wrote the following very interesting story at Postscript of Hicks (1969).

Last Spring [in 1968], I [Shimpo] was suddenly informed to know that John Hicks was preparing for publishing a new book on Economic History. It was really so shocking event to me and my friends that it was far beyond my power of comprehension. Such first impression was so strong and haunting that it still continued to be alive in my heart even when I was ready to do proofreading of the book.

(Shimpo, 1969, Postscript, p. 263)

Such Shimpo's surprise was quite understandable to me and perhaps almost all of economists around the world. His following remark, however, was quite helpful in gradually damping our shocking degree to almost nil.

When I [Shimpo] began to read Hicks's new history book, my first impression had to change gradually. Indeed, after finishing to read it, I was inclined to think that this history book was no doubt a completely new product by great master John Hicks, for there were clearly the unbroken continuity between such a new output and a series of old and famous outputs such as

The Theory of Wages, Value and Capital, Capital and Growth, and so on.

(Shimpo, 1969, Postscript, p. 263)

Now, I am in complete agreement with Shimpo's second opinion mentioned above. Hicks is Hicks, and cannot be replaced by someone else. Besides, the recently published festschrift in my honor, namely Kawano, Kourtit, Nijkamp & Higano (2022), was fortunately entitled by *Theory and History in Regional Perspective*. Here, as was rightly expected, Theory and History was nicely combined, indicating the growing area of my own research in recent years.

Now, let me get back to Hicks's own approach to uniting Theory and History. More specifically, this paper is concerned with the fundamental question why and how the great economist John Hicks has struggled to combine the two separate areas, Theory and History, into one magnificent entity against the currently dominant tendency of separation and specialization.

Speaking of the contents of this paper, the next section will outline more closely the life and work of John Hicks, discussing his academic progress in various areas in several stages. The third section will address his key idea of the Principle of All-Round Advantage in the mercantile economy. It should be stressed that he focuses on the active merchant rather than the industrial capitalist. The fourth section will turn to the central Principle of Three-Way Advantage in the activities of the Ohmi merchant in pre-modern Japan which still survives even today. How and to what degree those two advantages, All-Round Advantage in the western economy and Three-Way Advantage in the Japanese economy, are similar or different will be a central question to ask for all economists around the world. And several remarks will be made in the fourth and final section.

II. John Hicks on Theory and History

2-1 John Hicks's Academic Progress in Various Areas in Several Stages

It is high time for me to carefully evaluate John Hicks's academic progress in vast areas in several stages. As I mentioned above, the elegant Ashura Figure at Nara Kofukuji temple is very famous for having three faces and three pairs of hands. Likewise, the great economist Hicks found much interest in various areas including Theory and History.

As is seen in Table 1, the life and work of John Hicks (1904-1989) was colorful and

dynamic. In fact, his academic progress was not monotonous but consisted of at least three stages: the first stage (1904 - the 1930s), the second stage (the 1930s - the 1960), and the third stage (the 1960s - 1989).

It is easily understood that the core of the first stage was well-represented by the publication of *The Theory of Wages* by Hicks (1932). This magnificent book was published eight years before my own birth, thus being very classical and memorable. Although thirty years later, Hicks (revised 2nd ed. 1963) appeared as a completely revised version of Hicks (1932), I still believe that the original first version is also still very much alive today. ²⁾

Speaking of my academic life in 1963, I was a graduate student at Kobe University, being lucky enough to take an income distribution theory course from Visiting Professor Martin Bronfenbrenner. His energetic and systematic lecture by using many colored chalks against the blackboard gave me a lot of excitement, thus demonstrating the critical importance of distribution theory in economic science.

Bronfenbrenner was a kind yet witty gentleman with a sharp tongue and a little sarcasm. Characteristically, his distribution book was cynically dedicated to what he called "my [his] brilliant failures". According to my fair judgment, however, the book represented one of the best books on distribution theory, following the best tradition of John Bates Clark's *Distribution of Wealth* (1899), John Hicks's *Theory of Wages* (1932), and Paul Douglas's *Theory of Wages* (1934). ³⁾

Apart from Bronfenbrenner's opinion, I do believe that Hicks's *The Theory of Wages*, should have a very important place in the history of distribution theory. Yes, it contained a lot of neoclassical arguments for sure. However, the introduction of many mathematical tools such as the rate of technical substitution, the classification of technical progress and so on well-represented what Hicks accomplished in the first stage just before the Keynesian Revolution took place in the late 1930s.

In hindsight, the 1930s was characterized as the unique period of the economic version of "Sturm und Drang" ("storm and stress" in English). It was also characterized as the dreadful period of Great Depression in which so many workers were unemployed and so many companies were closed. In the academic world of economic science, the traditional microeconomics built on the intersection of demand and supply curves was rapidly losing its general trust effectiveness among the people. As its counter movement, there emerged the two waves of new economics — the first wave towards the bold refinement of microeconomics and the second wave towards the fresh appearance of macroeconomics. I believe that the first one was led by John Hicks and the second one by John Maynard Keynes. Interestingly enough, Hicks himself was

more or less influenced by Keynesian-type macroeconomics for some time, but after its initial enthusiasm was over, the solid ground of refined microeconomics and general equilibrium theory was safely ensured in the academic world.

Table 1 John Hick (1904-1989): His Life and Work Outlined

John Hicks's Academic Progress in Several Stages

I. The First Stage (1904 - the 1930s)

He was born in 1904 in Warwick, England, and educated at Balliol College, Oxford (1917-1922).

He was continuously financed by mathematical scholarships. At Oxford, while he was specialized in mathematics, he also found profound interest in liberal arts and history.

In 1923, he moved to Philosophy, Politics and Economics, which was newly established at Oxford.

From 1926 to 1935, he lectured at the London School of Economics and Political Science, starting as a labor economist.

In 1932, his first academic book *The Theory of Wages* was published. Surprisingly, more than 30 long years later, its second completely revised edition was published in 1963. This shows that he started his carrier as a brilliant labor economist.

II. The Second Stage (the 1930s - the 1960s)

He widened his research area to pure theory, covering micro, macro and general economic analysis.

In 1946, he returned to Oxford, and later as Drummond Professor of Political Economy.

1937 "Mr. Keynes and the Classics: A Suggested Interpretation," *Econometrica*.

1939 *Value and Capital*, the rather forgotten First Edition. .

1942 *The Social Framework: An Introduction to Economics*

1946 The Revised Second Edition of *Value and Capital* .

1956 *A Revision of Demand Theory*

III. The Third Stage (the 1960s - 1989)

His research area was furthermore expanded to cover history and methodology.

1965. *Capital and Growth*

1969 *A Theory of Economic History*

1973. Awarded Nobel Prize in Economic Science

1975. *Capital and Time*

1974. *The Crisis in Keynesian Economics*

1977 *Economic Perspectives*

1989 *A Market Theory of Money* And finally, he peacefully passed away.

Interestingly enough, the second stage of Hicks's academic progress began in the 1930s, and continued until the 1960s. As was easily seen in Table 1, this stage was characterized by the following two works:

Hicks (1937) **"Mr. Keynes and the Classics: A Suggested Interpretation"**, *Econometrica*.

Hicks (1946) **The Revised Second Edition of *Value and Capital*** .

Remark. Hicks (1939) *Value and Capital*, First Edition was rather neglected in the academic world after its completely revised version appeared in 1946.

The publication of the first work gave a suggested interpretation of Keynesian macroeconomics in terms of the two invented two curves, namely, the *IS* curve and the *LM* curve. In fact, Keynes's *The General Theory of Employment, Interest, and Money* was notorious as a badly written book since its publication in 1933, hence its lucid interpretation was urgently desired. At first, Hicks's paper in 1937 seemed to turn out as well as the people had expected. At present, however, Hicks himself expressed doubts on his old "suggested interpretation" . ⁴⁾

The second work mentioned above was generally regarded as his magnum opus. In contrast to Keynes's *General Theory*, Hicks (1939, 2nd rev. ed.1946) was famous of a nicely written book in the field of microeconomics, and could be regarded as a good introduction to general equilibrium theory. As soon as I myself start reading it as a junior student at Kobe, I was very fascinated by its profound scope and lucid writing style. Since then, Hicks (1946) has constantly served me as a model handwriting until today.

In particular, Hicks's ingenious idea of the substitution and income effects in consumption theory gave me a good inducement to be extended to the substitution and expansion effects in production theory, whence resulting finally in one of the cores of my thesis submitted at the University of Rochester in 1972. ⁵⁾

In 1996, the international meeting in honor of the 50th anniversary of Hicks's *Value and Capital* was held at Bolonya, Italy. Lionel McKenzie, Hirofumi Uzawa, Roy Radner, Hiroshi Atsumi and Edgar Malinvaud were among invited guest speakers. Very fortunately, I was also invited as a special guest at the meeting, thus having some conversations with Hicks in his final years. ⁶⁾ .

One important remark here. In my student days at Kobe in the 1960s, it was true that Hicks (1946) was one of my most favorite books. I should say, however, it was only half true. Remember that the 1960s was the most turbulent days in my life, for .

many universities had to be cancelled and many city streets were occupied by shouting students. Under such circumstances, Marx (1967) was extremely popular among liberal students, probably having been more attentively read than Hicks (1946).

Now, I proceed to discuss the final third stage of Hicks's academic progress, which seemed to be more colorful and striking than the previous two stages. As Table 1 could clearly tell us, his research area was conspicuously expanded beyond microeconomics, macroeconomics, and general equilibrium theory to cover even economic history and methodology as well.

Among other things, Hicks (1969) deserved special attention. First of all, the title per se of the new book, *A Theory of Economic History*, appeared to have nothing to do with the familiar name of great theorist John Hicks. I then wondered whether or not the connection of those two items was something strange and even mistaken. Second, only three years later (exactly in 1972), he was awarded Nobel Memorial Prize in Economic Sciences for his outstanding contribution to general equilibrium theory and welfare economics. Even now, I could guess how much he was at a loss by such seemingly strange combination. For this point, he later honestly remarked as follows.

I [Hicks] must begin with negations, 'They gave me a Nobel prize (in 1972) for my work on general equilibrium and welfare economics', no doubt referring to *Value and Capital* (1939) and the papers on Consumers' Surplus which I wrote soon after that date. This is work which has become part of the standard literature of what is called in modern controversy 'neo-classical economics.' But it was done a long time ago, and it was with mixed feelings that I found myself honoured for that work, which I myself felt myself to have outgrown.

(Hicks, 1977, Preface and Survey, page v)

This sentence was very interesting in many ways. First of all, Hicks was a very honest human being with truly sincere heart. Second, his work never stopped at a certain fixed point, showing his academic progress along with his own ages. And third, he himself rated his new work on economic history higher than his old one on general equilibrium. As a result, he would be much happier if a Nobel prize was instead given to him for the new work rather than for the old work. No doubt, this sort of mismatch produced a considerable degree of his mixed feelings. Perhaps, this kind of things were and will also be the fact of life.

2-2 John Hicks on the Principle of All-Round Advantage

I am now in a position to scrutinize the important yet forgotten question how John Hicks discussed the Principle of All-Round Advantage. In order to do that job, it is necessary to look at the whole contents of Hicks (1969). As is seen in Table 2, this new history book consisted of ten chapters, thus being highly systematic and very attractive. Interestingly enough, the very first chapter dealt with the fundamental question how and in what degree Theory and History should be interconnected. No doubt, it reminded me of the very classical approach a la Karl Marx. The most important question to ask would be how and in what degree the old giant Karl Marx and the new giant John Hicks were similar or different with respect to the Theory-History connection.

On the one hand, Karl Marx (1818-1883) was originally a German philosopher, then having much interest in economics, history and many other related subjects. His magnum opus was *Das Kapital*, namely Marx (1867), which made full use of his pet theory of historical materialism. Therefore, in his mind, philosophy, economics and history formed a solid trinity. Although his works was generally difficult to read, they were loved by young people around the world. In fact, in the turbulent period of the 1960s in Japan, there came a great wave of Marxist readers

Then, after the sudden fall of the Berlin Wall in 1989 and the dramatic transformation from the U.S.S.R. to Russian Federation in 1990, academic interest in *Das Kapital* and its related books rapidly receded in the world. Since Japanese young man Kohei Saito (1987 -) suddenly rose on the academic stage in the world in the 21st century, however, the tide of history has been on the turn: Indeed, among young people, Marx has made a remarkable comeback in recent years. ⁷⁾

On the other hand, John Hicks (1904-1989) was born almost one hundred later than Karl Marx. In contrast to Marx's fanatical speech and behavior, Hicks was an intellectual English gentleman. While Hick's work was concentrated in economic theory centering around *Value and Capital* (1939; revised 2nd ed. 1946), he had long been interested in economic history as well. In fact, he clearly remarked in Preface of his book *A Theory of Economic History* (1969) as follows.

I am not an economic historian, but I have long been interested in economic history; there are some of the most eminent among economic historians from whom I have been able, personally, to learn. When I was a postgraduate student, my supervisor was C.D. H. Cole; and it was only a little after that (when I was 'on loan' to the University of Witwatersrand, South Africa) that

I found myself found lecturing on mediaeval economic history

(Hicks, 1960, Preface, page v)

Now, speaking of myself, in the turbulent years of the 1960s in Japan, academic interest in Hicks's work was limited to small circles. I myself belonged to such a limited circle of Hicks fans: indeed, I was then regarded as a scholarly outsider on the university campus. In my student years, I was generally regarded as a sort of "two-way strange student with no solid ground". Besides, because I also studied hard to master "high-ranking mathematics" at the science department, I seemed to be a "three-way very crazy student with no way out". So, I long struggled to find a fine way out until a very lucky air mail from the U.S. safely reached my small apartment at Kobe in 1968. This mail determined my destiny in the future, promising me to get a Fellowship at the Graduate School of Economics, the University of Rochester, New York State, the U.S. It was no exaggeration to say that I then wondered as if it was "a gift from Heaven".

Rochester was a sort of frontier city, bordering on north by Canada. Likewise, the Economics Faculty of Rochester was very proud of employing a lot of hardworking professors with frontier spirits. L. W. McKenzie was the leading professor at Rochester, using the Kakutani Fixed Point Theorem to prove the existence of general equilibrium. So, he was rightly nicknamed "Professor Fixed Point". Ronald Jones was a very smart professor of international trade. Since he was employing many forms of elasticity to prove many theorems, he was often called "Professor Elasticity". Huge Rose came from England and made use of the Poincare-Bendixon Theorem in order to show the magic of nicely shaped limit cycles. He was loved as "Professor Limit Cycle" by both American and foreign students. Moreover, there were a number of scholars in quantitative analysis. In particular, Robert Fogel stood high as an expert of econometric history, attempting to find economic reasons for the existence of slave labor in the Deep South of the U.S. So, he was often called "Professor Econometric Historian". Finally, I would like to refer to a number of "star students" at Rochester in the 1960s and the 1970s. I myself was sandwiched between the two star graduate students at Rochester: They were Jerry Green and Jose Scheinkman. Jerry and Jose respectively became distinguished professors at Harvard and Chicago, Besides, my lovely friend Robert Thaler was awarded Nobel Memorial Prize in Economic Science for his outstanding contribution to Behavioral Economics. ⁸⁾

Thaler strongly recommended me to take an econometric history course from Fogel. To my deep regret, I did not listen to Robert's kind advise, and concentrated my

attention to economic theory courses such as general equilibrium theory, micro economics and macro economics. As a result, I myself missed a golden opportunity to study economic history in the U.S.

As I was getting older, my interest in history was naturally more expanded than ever before. Consequently, John Hicks's new challenge on economic history seemed to be quite in the natural order of things. So, let me write down the detailed contents of the history book of Hicks (1969) in Table 2. .

Table 2. John Hicks on Theory of Economic History

The Contents of John Hicks, A Theory of Economic History, 1969

- I. Theory and History
- II. Custom and Command
- III. The Rise of the Market
- IV. City States and Colonies
- V. Money, Law, and Credit
- VI. The Finances of the Sovereign
- VII. The Mercantilization of Agriculture
- VIII. The Labour Market
- IX. The Industrial Revolution
- X. Conclusion

This new book was not a big and bulky one, but a rather compact book of high quality: it had only less than 200 pages. . As was seen in Table 2, it consisted of ten chapters. To begin with, Chapter I was straightly named "Theory and History", which was good enough to predict in advance the outstanding features of the whole book. In other words, the book title per se should teach the reader that although the author Hicks himself was basically a theoretician, he was ready to turn his attention to history. Perhaps, such a title might sound like a strange story for many historians. In fact, I knew a lot of professional historians who never failed to say as follows. "History is

History. It should not be mixed with Theory". Of course, there existed a group of exceptional people who attempted to establish a grand system consisting of both Theory and History.

In historical perspective, Karl Marx was the first superstar belonging to the exceptional group aforementioned. Marx's main work was clearly *Das Kapital* (1867), containing important theories together with historical facts, which was solidly built on his own ideas of class struggle and historical materialism. Around a century later, the second superstar appeared on the academic stage. His name was John Hicks with his rather compact yet influential book *A Theory of Economic History* (1969).

Interestingly enough, Hicks (1969) carefully discussed how and why his theory of economic history should be differentiated from Marx (1867).

① First of all, Hicks's approach was definitely different from those aesthetic approaches taken by the famed historians Toynbee and Spengler, who attempted to focus on the question how and in what degree the brave behaviors of heroes such as Napoleon or Churchill produced outstanding results in the history.

② Hicks's theory of economic history was "a good deal nearer to the kind of thing that was attempted by Marx, who did take from his economics some general ideas which he applied to history so that the pattern which he saw in history had some extra-historical support. That is much more the kind of thing I [Hicks] want to try to do." (Hicks, 1969, p. 2)

③ Hicks's approach should definitely be different from Marx's one in several important aspects. If we were to classify states of society, the sequence of "Feudalism, Capitalism, Socialism" a la Marx would perhaps be attractive to some people. Hicks's way towards theory of economic history, however, would be very different from such stiff and stark one. He emphasized that "our [his] presuppositions were less deterministic, less evolutionary than theirs [Marx and the German Historical School], and that would make a difference." (Hicks, 1969, p. 6) Contrary to Marx and his followers, Hicks's attitude was very open-minded to admit even irregularities and exceptions.

④ Hicks was now to firmly conclude his new theory of economic history as follows. "We are accustomed to thinking of our last two centuries as a period of economic development, but it is a development that has been irregular ('cyclical') and has many dark places to it. Why should the same not hold further back?" (Hicks, 1969, p. 7)

Hicks was a very honest scholar in that he acknowledged even irregularities and dark places in economic history. I do think now that slave trade, golden triangle, colonies, and empires surely indicated those "dark places of the British Empire" ⁹⁾

The great thinker John Hicks posed here for a while, and then bravely asked the following question to the reader.

Where shall start? There is a transformation which is antecedent to Marx's Rise of Capitalism, and which, in terms of recent economics, looks like being more fundamental. This is the Rise of the Market, the Rise of the Exchange Economy. It takes us back to much earlier stage of history, at least for its beginnings; so far back indeed that on those beginning (or first beginnings) we have direct information.

(Hicks, 1969, p. 7)

I strongly believed that this paragraph represented us the very core of the new influential history book by John Hicks (1969). So, I decided here to quote his full sentences without any modifications. Clearly, he pointed out that there were two different transformations in human history. They were Marx's Rise of Capitalism and (I dare to say) Hicks's Rise of the Market. And no doubt, the Rise of the Market (or the Rise of Exchange Economy) took place in much earlier stage in human history. Consequently, the former should be much more fundamental than the latter. Clearly, there should be no objections possible! When I read this paragraph for the first time, I was overwhelmed by the great economist John Hicks's strong passion and firm determination towards the establishment of a New Theory of Economic History. At the same time, I also understood how he had strangely mixed feelings when Nobel Prize was awarded to him for his new contributions to Economic History, but not to his earlier ones to Economic Theory.

After briefly discussing Custom and Command in Chapter II, Hicks returned his attention to his main theme, namely the Rise of the Market in Chapter III. He now focused on the appearance and unbroken activities of the Specialized Trader in the Mercantile Economy. As an example of such specialized traders, he referred to Shakespeare's strange yet famous drama *The Merchant of Venice*. The story of this drama was concerned with the unlawful deal of "one pound of human heart" between a seaman and a moneylender, so that it was a very unrealistic story. ¹⁰⁾

Hicks also found interest in the activities of active merchants in Pre-modern Japan. For an instance, he was further informed that the merchants of seventeenth-century Osaka were able to do most sophisticated mercantile dealings including the establishment of even future markets. Furthermore, he pointed it out that the Inland Sea of Japan was tiny in comparison with the Mediterranean which was outstanding as a highway of transportation. I believed, however, that such a

comparison was not only fair but also neglected the existence of the Sea of Japan covering the whole area of Japan from Hokkaido to Kyushu, even reaching Okinawa and Taiwan. As a result, he failed to discuss the Japanese Triangular Trade by the Ohmi merchant, which was fairly comparable to the Atlantic Triangular Trade. ¹¹⁾

In Chapter IV, Hicks turned his discussion to the important topic of City States and Colonies. He boldly identified the system of city states as the First Phase of the Mercantile Economy. According to his observation, the core of the city state such as Florence or Venice was rightly regarded as a trading entity, and was therefore a body of specialized traders engaged in External Trade rather than Internal Trade.

As I myself fully discussed in Sakai (2018), one of the most important external trades in the Mercantile Economy was represented by the "Triangular Trade in the Atlantic", which was not explicitly discussed in the otherwise great book Hicks (1969). As was depicted in Fig. 1, it had three distinct points which include the start and goal Britain (Liverpool, Bristol) together with the two other points West Africa (slave coast), and the Caribbean (Jamaica). In the figure, there also existed the three distinct sides. They respectively represented the Eastward Passage between Britain and West Africa, the Middle Passage between West Africa and the Caribbean, and the Westward Passage between the Caribbean between Britain. Among those passages, the Middle Passage was notorious as the Transatlantic Passage carrying a great number of slaves from the Old African Continent to the New American World. Indeed, so many slaves had to die on physical and mental disease in the crowded holds of the slave ships. Once the ships arrived at the Caribbean or the West Indies, many enslaved survivors were sold for American Plantations. Then, on 29 November 1781, one of the most shameful events in the history of British mercantile economy took place and was recorded ever since. It was often called the Zong Massacre Case. More recently, Tristan Hunt (2006), a famous British historian, wrote an impressive article with the following title in the British newspaper *Guardian*: "Slavery: the long road to our historic 'sorrow' ". Historically speaking, the tragic slavery system was long survived until the British Slave Trade Act was at last established in 1807. Surely, it was the very long road to British historic sorrow. ¹²⁾

As far as Hicks's New History Book was concerned, both the tragic Zong Massacre Case and the long overdue abolition of British slave system were not mentioned at all. Such complete neglect, however, was quite regrettable to me, ironically representing another sort of very long road to the historic sorrow of human beings.

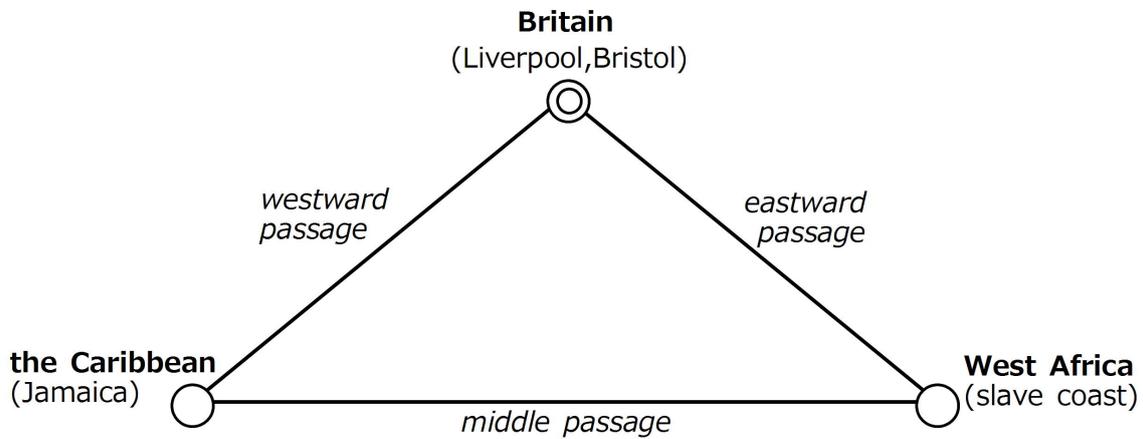


Fig. 1 The Triangular Trade in the Atlantic

Unfortunately, I have no extra space to discuss the remaining chapters VI and X in details. I am only content here to point out the fact that "The Industry Revolution" was later examined at the final chapter just before Conclusion. It reflected Hicks's original way of economic thought that contrary to the Marxian doctrine, the Rise of the Market was much more fundamental than the Rise of the Capitalist Economy.

In short, the merchant really mattered and the capitalist class should be less important in the Hicks's theory of economic history. In this connection, his another idea of All-Round Advantage came on the academic stage. He made the following important remark.

The fact that force has been used in the establishment of a trading colony does not imply that the colony, after its establishment, is an exception to the principle of All-Round Advantage. If it is simply used as a base for trade, the trade should be the advantage of both parties, the merchants themselves and the 'surrounding' peoples with whom they trade. To these peoples, the trade offers new opportunities, and these must represent in some sense a gain. They do indeed have to learn to make use of their opportunities; in the process of learning they will make mistakes, mistakes that will be costly, often very costly. But, we can recognize the mistakes, and their consequences, without denying that the main trend must be advantageous.

(Hicks, 1969, pp. 51-52)

This remark was literarily very remarkable. Except the first apologetic sentence that seemed to justify the existence of force in the establishment of a trading colony, it clearly demonstrated the very essence of the principle of All-round Advantage. For an example, if merchant *A* sold a certain good (a cloth or a fish) to merchant *B*, then the trade of the good must represent the advantage of those two parties *A* and *B*. So far so good. Moreover, the trade had the extra effect of bringing the advantage of the "surrounding peoples" with whom both *A* and *B* could trade. For an instance, to those peoples, the trade could offer new opportunities. There existed some risks, and even mistakes. In spite of those uncertainties and errors, however, Hicks reached his optimistic conclusion that the main trend must be advantageous for all of those parties concerned in the Mercantile Economy.

III The Ohmi Merchant on the Principle of Three-Way Advantage

An old yet important document handwritten in 1754 was at last discovered in 1997 after long absence at a traditional merchant house at Gokanosho, Shiga, Japan. This document was nothing but a will note written by the tycoon Jihei Nakamura for the sake of his grandson. It was soon understood as a first-class historical note by many historians. ¹³⁾

The Nakamura long note contained the following important teachings:

No matter how far you may go on a peddling tour in a foreign land, you should show great respect to your customers when you are selling kimono clothes to them. Then, you should take an attitude of "customer first", never expecting to acquire huge profit at a single stroke. You should be the very modest person who thinks that everything is determined by the grace of Heaven. Besides, you should also take much care of the local persons in the way of peddling. After all, you should always have religious faith in God and Buddha.

(Iwane, 2003, pp. 37-38)

It should be noted that Gokanosho was well-known as one of the most distinguished birth places of the Ohmi Merchant, which played a vital part in the Japanese Mercantile Economy. In my deep regret, the new economic historian John Hicks never mentioned it at all. Here, I should say that even Hicks let a golden opportunity slip through his fingers.

There were a number of good books on the Ohmi Merchant. I recommend the reader to carefully read Egashira (1965), Ogura (1946, 1980, 1989, 1990), Suenaga

(2000, 2010), Usami (2021), Iwane (2003), Matsuo (2009), Sakai (2018), and Sakai & Sasaki (2021). Probably, Ogura (1990) would serve well as a good sample of those books on the Ohmi Merchant. So, its brief contents were demonstrated in Table 3.

Table 3. Eiichiro Ogura on the Ohmi Merchant

The Content of Ogura (1990), *The Ohmi Merchant: The Collection of Famous Sayings*

Introduction The Ohmi Merchant on Family Precept
 Chapter 1 The Family Precept of Nakai Genzaemon
 Chapter 2 Justification for the Merchant: Three-Way Advantage
 Chapter 3 Sincere Business Relations
 Chapter 4 The Tradition and Behavior of the Trader
 Chapter 5 Hard Work and Moderate Behavior: Carrying a Shouldering Pole
 Chapter 6 Good Things Done without Other People Knowing
 Chapter 7 Finding Good Successors
 Chapter 8 Worship for Ancestors
 Final Chapter Independence from Political Power

The impressive book of Ogura (1990) contained Introduction and the following nine chapters. Chapter 1 focused on Nakai Genzaemon, the founder of the Nakai family representing of the Ohmi Merchant. Chapter 2 represented the core of the book, attentively discussing the Three-Way Advantage as justification for the Ohmi Merchant." It eloquently tell us that any business transaction is "Good for the Seller", "Good for the Buyer", and "Good for the Whole Society": In short, it should be "Good for the Three Ways". Alternatively, in terms of Hicks's way of expression, any business deal must embody the Three-Way Advantage. It seemed to be analogous to Hicks's pet expression of the All-Round Advantage. Chapter 5 nicely characterized the hard work and patient behavior of the Ohmi merchant as a shouldering pole to safely carry a heavy baggage. After the Ohmi merchant's worship for ancestors was argued in Capter 8, its independence from political power was strongly emphasized in the Final Chapter.

This final point taught us how the Ohmi Merchant differed from the East Indian Company of Britain which, by means of military power, effectively invaded the vast Indian Semi-continent. ¹⁴⁾

The Ohmi Merchant engaged in what we could call the Triangular Trade in Pre-modern Japan. As is seen in Fig. 2, there existed two different kinds of lines. While each solid line indicated the sea route on which people had to charter a large-scale cargo ship, each dotted line showed the land/lake route on which people must either travel either on foot or take a small boat on the lake. ¹⁵⁾

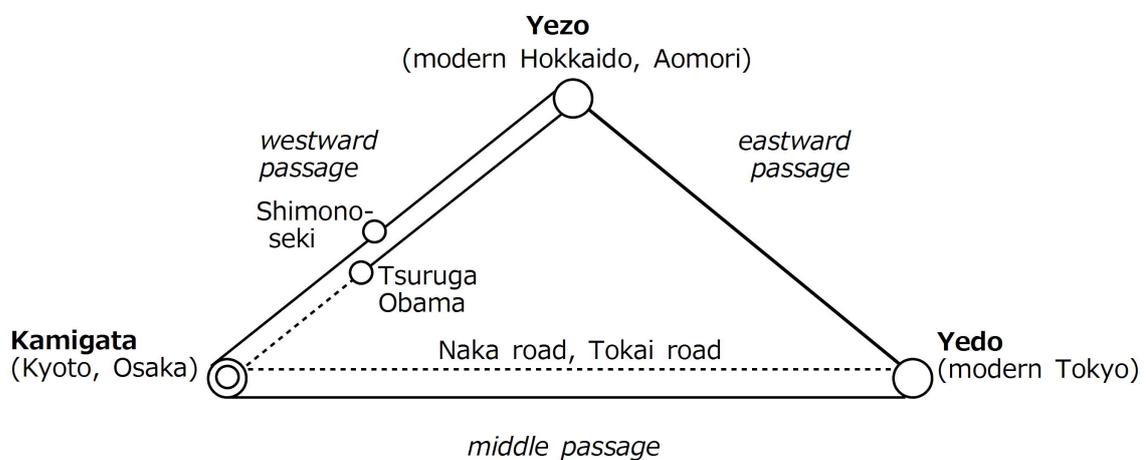


Fig. 2 The Triangular Trade in Japan

In old days, the Japanese triangular trade consisted of three regions and three passages connecting any two of the passages. Whereas those three regions were Kamigata (Kyoto, Osaka), Yedo (modern Tokyo) and Yezo (modern Hokkaido, Aomori), those three passages were the Middle or West-East Passage, the Westward Passage and the Eastward Passage. Among those passages, the Middle Passage (Naka Road, Tokai Road) connecting Kamigata and Yedo was clearly the most important one: indeed, it was very frequently used by the Ohmi merchant. As people often said in those days, the man who controlled Ohmi could control All Japan.

Ohmi merchants preferred Naka Road to Tokai Road because the former promised them a bit longer yet more secure route than the latter. They carried textiles, medicines, sake barrels and mosquito nets to Yedo, bringing back silk, seaweed, and dye materials to Kamigata. Yezo, a very remote area from both Kamigata and Yedo, was a

very attractive place since it offered a great variety of marine products such as sermons, cods, crabs, kelps and many other seaweeds. It should be stressed here to say that all Japanese merchants were never engaged in inhuman slave trade at all.

In conclusion, both the Ohmi Merchant's Principle of Three-Way Advantage and the Principle of All-Round Advantage promoted by John Hicks had many features in common. However, those principles were not the same because contrary to the Japanese trade, the Atlantic trade was fundamentally dependent on the inhuman slave trade. It should be very important for us to recognize the similarity and difference of those two principles.

IV Michio Morishima on John Hicks: Towards Symphonic Economics

In the above, I have carefully discussed the outstanding features of the New History Book by John Hicks (1969) entitled *A Theory of Economic History*. It was published just one year after I entered the Graduate School of Economics, the University of Rochester led by Lionel W. McKenzie. It was a famous rumor told by Paul A. Samuelson that Hicks produced at least two outstanding students. They were Lionel W. McKenzie as an American student and Michio Morishima as a Japanese student. I was not quite sure how serious this rumor was. Now, I can say that academically, I myself was and will be McKenzie's student and also Morishima's student as well.

When Hicks's History Book was published in 1969, its reputation around the world did not turn out as well as the author Hicks had expected. Perhaps, Hicks would have thought that it should be greatly welcomed in the academic world, possibly being worth of Nobel Economic Prize. Morishima also seemed to be very sympathetic to Hicks, thus making the following remark.

When Hicks was well-known as a leading authority in his pet subject, i.e. general equilibrium theory, he dared to enter the new world of history and write the excellent new book *A Theory of Economic History* in 1969. Against his own expectation, however, many of book reviews were surprisingly not good at all. Such rather amazing results were perhaps brought by the selection per se of book reviewers. I suspect that the journal editors preferred to select first-rate historians as the reviewers because the world famous economist Hicks was the author. I think that there were a great number of economists, who had great respect to Hicks's other contributions as well, would be willing to purchase this new history book. On the contrary, many specialists in

economic history would read such a sort of unsympathetic reviews and make quick decisions of stop purchasing the original book itself.

(Morishima, 2001, pp. 346-347)

In the above, I have extensively discussed the new economic historian John Hicks with respect to the Principle of All-Round Advantage. This principle seems to similar to the Ohmi Merchant's Principle of Three-Way Advantage. I have to stress, however, that the Mercantile Economy in the West has been constantly dependent on the shameful slave trade in the Atlantic until the recent times. By comparison, such a sad history of slaves has never been found in Japan.

Theory and History — those two subjects seems to be different subjects at first. As John Hicks has demonstrated very well, however, those two can and should systematically be integrated into one. I believe, that such a integration would surely lead us to establish a grand new Symphonic Social Science a la the great economist Michio Morishima. We look forward to seeing the arrival of the second Hicks and also the second Morishima in the near future. ¹⁶⁾

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Footnotes

1) Walras's grand system containing Pure Theory, Social Theory and Applied Theory was recently reexamined by Misaki (2024). Also see Ryuhan (1968) and Sakai (2025).

2) The place of Hicks's *The Theory of Wages* in the long history of neo-classical distribution theory was carefully discussed in Flatau (2002). It was very interesting to see the initial brilliant publication of Hicks (1st edition 1932) and its later "hibernation" for a long time, and nicely followed by its spectacular comeback of Hicks (2nd revised edition, 1963). As "007" in the movie was alive two times, so was "Hicks the great" in the academic world.

3) I had very long acquaintance with Martin Bronfenbrenner. I met him at Kobe University in 1962 for the first time. He kindly lectured "income distribution theory" to a small number of graduate students including me. In the classroom, he always liked to speak sharp jokes to us. For example, he joked us in the following fashion. "In Japan, there seem to be many "fool professors, not full professors. Besides, so many professors became "professors emeritus" after their retirement. In my opinion, however, most of them were no more than "professors demeritus". Don't you agree?" Later at the University of Pittsburgh, When I myself was lecturing advanced economic theory, he was teaching advanced distribution theory there. He told me that his own teacher at Chicago was famous distinguished professor Paul Douglas who together with mathematician Cobb, invented the popular Cobb-Douglas function in production theory. For greater details, see Bronfenbrenner (1971).

4) Later in the 1980s, Hicks (1980) changed his own evaluation of *LS-LM* formulation; indeed, he seemed to dismiss it as a "classroom gadget". I do think, however, that he went too far at this point, for there were many possible interpretations for any specific formulation.

5) In 1972, my Ph. D. thesis entitled *The Axiomatic Foundations of Consumption and Production Theories* was submitted and accepted at the University of Rochester. Fortunately, all the chapters were published in authoritative journals such as *The Journal of Economic Theory* and *International Economic Review*.

6) In 1996, I visited the University of Bologna, the oldest university in the world, was established in 1196, namely eight hundred years ago. So, it was no wonder that the legendary Italian poet Dante (1265-1321) was once a student there. I was enjoyed very much reading my papers at both the Econometric Society Meeting and the European Economic Meeting. As the saying goes, time flies like an arrow!

7) Kohei Saito is a young, talented and dramatic man. Although, he successfully entered the science department of the University of Tokyo, he soon left it to continue his undergraduate and graduate studies at a famed university of the U.S. Then, he switched his career again to Germany, completing his Ph.D. thesis at the University of Humboldt, Berlin. As the saying goes, adversity is really the parent of the virtue. For details, see Saito (2017, 2020, 2023).

8) Shizuo Kakutani was a big name in Mathematics. I once met him when he had a seminar at Rochester. At the start of the seminar, he frankly told the audience as follows. "Well, ladies and gentlemen, I have some apologies at the beginning. The topic I am going to speak now is important for sure. It contains a very critical theorem. Last week, I believed that I certainly I succeeded to prove it with great joy. Yesterday, however, I found that the proof was not perfect, containing some critical errors. It's too bad, indeed. Time is short and waits for no man. Today, ladies and gentlemen, I am so sorry to show you how my proof is neither correct nor perfect. I hope that all of you will be able to learn from even the imperfect proof per se. Then, naturally, all of the ladies and gentlemen burst into laughter and clapped their hands. Kakutani was really a first-rate mathematician with good humor.

9) For details, see Thomas (1997) and Sakai (2018). It was so impressive for me to read the following sentence written on the cover of the big book Thomas (1997). "No great historical subject is so laden with contemporary controversy or so obscured by myth and legend as the Atlantic slave trade. Who were the slavers? How profitable was the business? Why did many African rulers and peoples collaborate? Here is a balanced historical account." The Atlantic slave trade pointed here constituted only one part of the "triangular trade", whose full-length picture was carefully examined in Sakai (2018).

10) In historical terms, the rise of market was equivalent to the rise of the merchant, for the key figure in the market was played by the merchant, wholesaler or shopkeeper. For details, see Hicks (1977), Preface and Survey, page. ix.

11) For details, see Hicks (1969), pp. 37-39. The importance of the Japanese Triangular Trade in comparison with the Atlantic Triangular Trade was carefully discussed in Sakai (2018).

12) For greater details, see Sakai (2018).

13) For details, see Iwane (2003).

14) Note that the British Empire was used to say that it controlled the Seven Oceans of the World. The so-called slave trade in the Atlantic represented only one of such military and economic power of the empire. In contrast to the British merchant, the Ohmi merchant had nothing to do with the political and military power of the Japanese Government. .

15) For greater details, see Sakai (2018).

16) For details, see Morishima (2001).